萬洲國際
WH GROUP

WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

HIGHLIGHTS

	2016	2015
Key operating data		
Hogs produced (million heads)	**19.2**	19.1
Hogs processed (million heads)	**49.3**	48.3
Packaged meat products sold (million metric tons)	**3.2**	3.2

	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 otherwise stated)		*US$ million (unless otherwise stated)*	
Key financial data				
Turnover	**21,534**	**21,534**	21,209	21,209
EBITDA	**2,238**	**2,263**	2,044	1,917
Operating profit	**1,788**	**1,788**	1,557	1,557
Profit attributable to owners of the Company	**1,014**	**1,036**	866	786
Basic earnings per share (US cents)	**7.42**	**7.58**	6.34	5.75
Interim dividend per share (HK$)	**0.05**	**0.05**	–	–
Final dividend per share (HK$)	**0.21**	**0.21**	0.125	0.125
	0.26	**0.26**	0.125	0.125

- Turnover increased by 1.5%
- Operating profit increased by 14.8%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 17.1%

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2016.

The following discussion should be read in conjunction with the consolidated financial statements of the Group, including the related notes, set forth in this announcement.

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

China

China is the largest pork producer and 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 2016 was 53.0 million tons, a decrease of 3.4% as compared to last year.

The pork prices in China are reflections of the supply and demand of hogs in the market. In 2016, the average hog price in China was RMB18.6 (approximately US$2.8) per kilogram ("**kg**"), a surge of 22.1% from last year. The high hog prices in the first half of 2016 were primarily a result of the imbalance in supply. In the second half of 2016, supply gradually increased and prices decreased accordingly. The hog price in the last month of 2016 was RMB17.5 (approximately US$2.5) per kg, a decrease of 14.6% from the peak of this year in May of around RMB20.5 per kg.

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 the General Administration of Customs of the People's Republic of China, the total volume of imported pork in 2016 rose by 108.4% from prior year.

U.S.

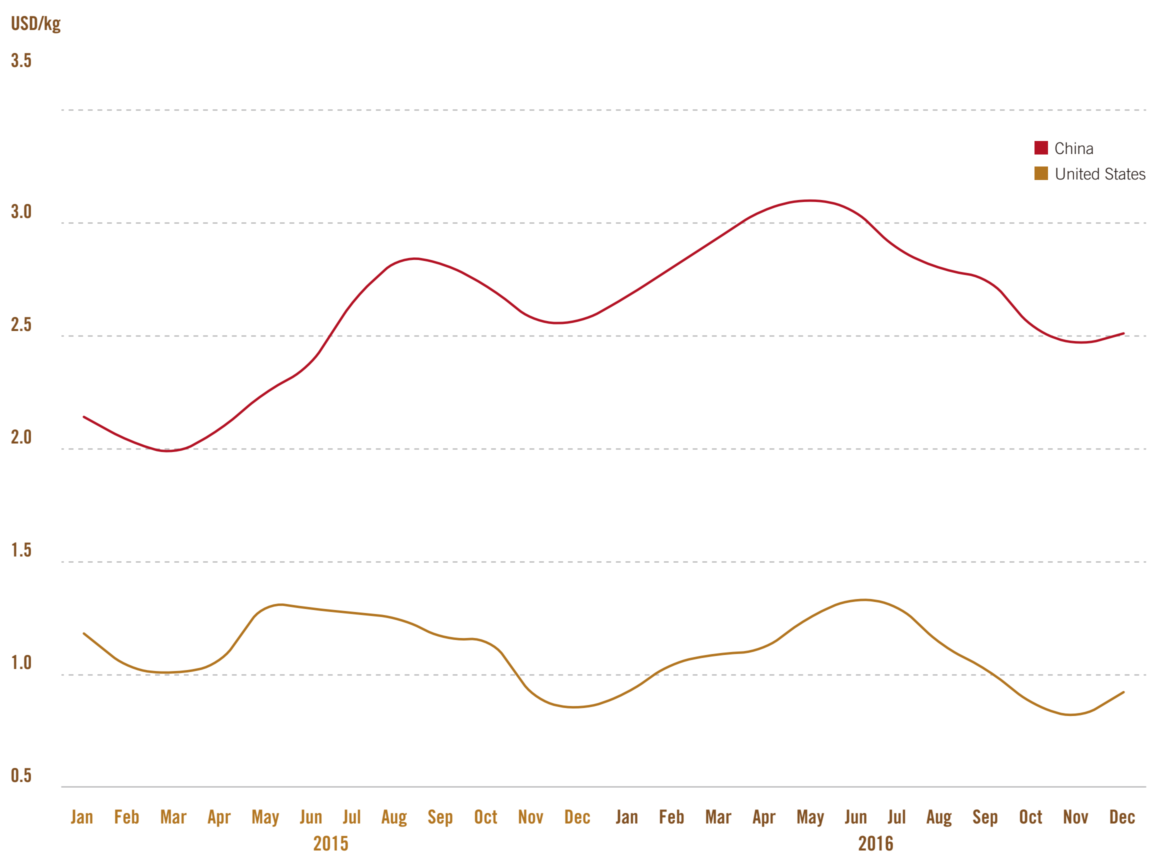
U.S. is the second largest producer of pork worldwide and the largest pork exporter globally. In contrast to the pork industry in China, the U.S. pork industry is relatively mature and concentrated.

Hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets. In 2016, overall animal protein production in the U.S. was up, in which pork rose 1.8%, chicken rose 1.6% and beef rose 6.4%. Such increases in production put pressure on the hog prices. The average hog price during the year of 2016 was US$1.1 per kg, a decrease of 7.6% over the last year.

On the other hand, pork prices held up better due to strong exports, in particular to China. According to United States Department of Agriculture ("**USDA**"), the total export volume of U.S. pork and pork products grew 8.2% during 2016, while the volume to China grew at a much higher rate of 78.3%.

Broadly speaking, fresh pork players in the U.S. benefited from lower hog prices and relatively stable pork values during 2016. Hog farmers and slaughtering plants with ractopamine-free production capacity and access to China market benefited most from such opportunity.

Hog prices in China and U.S. during 2015 and 2016



Sources: Chicago Mercantile Exchange and Ministry of Agriculture of the People's Republic of China

II. RESULTS OF OPERATIONS

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

	2016	2015	Change
	US$ million		*%*
Turnover[1]			
– Packaged meats	**11,074**	11,240	(1.5)
– Fresh pork	**9,178**	8,591	6.8
– Hog production	**844**	990	(14.7)
– Others[2]	**438**	388	12.9
	21,534	21,209	1.5
Operating profit			
– Packaged meats	**1,475**	1,499	(1.6)
– Fresh pork	**545**	226	141.2
– Hog production	**(40)**	54	N/A
– Others[2]	**(192)**	(222)	N/A
	1,788	1,557	14.8
Profit before taxation	**1,703**	1,302	30.8
Profit for the year	**1,238**	995	24.4

Notes:

(1) Turnover refers to net external sales.

(2) Others primarily includes sales of ancillary products and services, as well as certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 51.4% of the Group's turnover in 2016 (2015: 53.0%). Its contribution to the Group's operating profit was even higher at 82.5% in 2016 (2015: 96.3%).

Geographically speaking, our operation in China contributed 36.0% and 46.0% of the turnover and operating profit of the Group in 2016, respectively (2015: 33.4% and 52.1%). Contribution of our operation in the U.S. to the turnover and operating profit of the Group in 2016 were 57.4% and 49.7%, respectively (2015: 60.1% and 44.7%).

Packaged Meats

	2016	2015	Change
	US$ million		*%*
Turnover			
China	**3,344**	3,559	(6.0)
U.S.	**7,123**	7,088	0.5
Others	**607**	593	2.4
	11,074	11,240	(1.5)
Operating profit			
China	**725**	782	(7.3)
U.S.	**714**	668	6.9
Others	**36**	49	(26.5)
	1,475	1,499	(1.6)

During the year, sales volume of our packaged meats remained stable at 3.2 million metric tons. In China, our volume growth was 1.4% as compared to last year because our low temperature products performed well and our distribution network was further expanded. In addition, a number of new products were also launched during the year 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 2015. Our strategy is to achieve better growth by managing our market, product position and sales process with a cohesive approach under the 'One Smithfield' initiative.

Turnover of our packaged meats in 2016 was US$11,074 million, a slight decrease of 1.5% as compared to 2015. The decrease was mainly driven by the lower turnover in China as we provided more support to distributors for marketing the products. In contrast, despite the volume staying flat, turnover in the U.S. was higher than that of last year as we achieved better average price points with stronger brands.

Operating profit of our packaged meats was down by 1.6% to US$1,475 million as operating profit in China declined in 2016 in the context of higher hog prices. To maintain a stable operating profit margin, we carefully managed our raw material costs through regulation of inventory levels and expansion of imports. As we enlarged our import volume substantially during the year, more imported meat was deployed to the production of packaged meat products in order to mitigate the negative impact of high domestic hog prices. We also continued to improve our business process so as to enhance our labor efficiency and save costs. In the U.S., we were able to pass on the increased raw material costs of some key product categories to the market and achieved a higher operating margin in the year through higher sales.

Fresh Pork

	2016	2015	Change
	US$ million		*%*
Turnover			
China	**4,194**	3,344	25.4
U.S.	**4,441**	4,717	(5.9)
Others	**543**	530	2.5
	9,178	8,591	6.8
Operating profit/(loss)			
China	**98**	80	22.5
U.S.	**472**	168	181.0
Others	**(25)**	(22)	N/A
	545	226	141.2

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.

Total number of hogs processed in 2016 was 49.3 million heads, an increase of 2.0% over 2015. In China, hog processing volume decreased by 0.3% as a net result of demand slow-down caused by the rapidly rising and sustainedly high pork prices this year and volume expansion based on our efforts to capture more market share as one of the longer term growth strategies. On the other hand, hog processing volume in the U.S. was 1.8% higher than that of last year following the national trend of production expansion.

External sales volume of fresh pork during the year was 4.2 million metric tons, 7.2% more than 2015. The volume increased in both China and the U.S., at 16.2% and 3.2% respectively, as our operating strategy is to rationalize the scale of external and internal sales for opportunities to maximize profit. For China in particular, we also introduced more imported pork for direct sales in the market.

Fresh pork turnover grew 6.8% to US$9,178 million in 2016 because turnover in China went up significantly as a result of an increase in both sales volume and prices. The substantial increase of pork prices in China were primarily due to the imbalanced supply of hogs in the market. Unlike China, turnover in the U.S. decreased as prices declined comparing to prior year.

Our operating profit of fresh pork grew significantly from US$226 million in 2015 to US$545 million in 2016 as both the operating profit in China and the U.S. demonstrated an upward trend. In China, despite the fact that pass through of prices became more challenging when hog prices rose rapidly and sustained at high level during the first half of the year as a result of demand suppression, the market conditions improved when hog prices came down gradually in the second half of the year and we were also able to expand our sales of competitive imported pork to provide an additional profit stream to our business. In the U.S., our operating profit increased by about 2.8 times in 2016. The great enhancement in profitability was primarily due to our success in capturing the relative good value of meats in conjunction with a relative low cost of hogs. The implementation of our plant improvement plans, better pricing mechanism and expanded export sales were also drivers of higher margin during the year.

Hog Production

	2016	2015	Change
	US$ million		%
Turnover			
China	**14**	9	55.6
U.S.	**794**	940	(15.5)
Others	**36**	41	(12.2)
	844	990	(14.7)
Operating profit/(loss)			
China	**38**	18	111.1
U.S.	**(144)**	12	N/A
Others	**66**	24	175.0
	(40)	54	N/A

In 2016, hog production volume remained stable at 19.2 million heads. The vast majority of our hog production business is in the U.S. Therefore, the decrease in turnover of 14.7% to US$844 million and an operating loss of US$40 million during the year were both primarily driven by the changes in hog prices and our hedging results in the U.S.. Regardless of our effective hedging programs, which enabled us to outperform the market in general, the operating profit in the U.S. of US$12 million in 2015 turned into a loss of US$144 million in 2016. Our hog production business in China, on the contrary, benefited from the elevated hog prices, achieved higher profitability in the year.

Others

In addition to packaged meats, 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 2016, turnover generated from our other businesses amounted to US$438 million, a 12.9% increase as compared to 2015.

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 meats and fresh pork can be delivered to our customers timely and safely.

III. CORPORATE SOCIAL RESPONSIBILITY

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. We conducted our first materiality analysis this year by developing a process to identify key sustainability issues of our key stakeholders, so as to guide our sustainability strategy and manage concerns which are deemed as most material to our stakeholders. The analysis results layout the foundation for material selection and preparation of our first environmental, social and governance report.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our first environmental, social and governance report to be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.wh-group.com) no later than three months after the publication of the Company's annual report.

FINANCIAL REVIEW

I. OVERALL RESULTS

We are pleased to deliver satisfactory results in 2016. Turnover of the Group was US$21,534 million, up 1.5% as compared to 2015. Operating profit was US$1,788 million, an increase of 14.8% over last year. Disregarding any biological fair value adjustments, profit for the year in 2016 was US$1,216 million, 13.1% higher than 2015; profit attributable to owners of the Company grew 17.1% to US1,014 million.

II. KEY FINANCIAL PERFORMANCE INDICATORS

		2016	2015	Change
Turnover growth rate	%/pp	**1.5**	(4.6)	6.1
EBITDA margin	%/pp	**10.4**	9.6	0.8
Operating profit margin	%/pp	**8.3**	7.3	1.0
– Packaged meat products	%/pp	**13.3**	13.3	–
– Fresh pork	%/pp	**4.5**	2.0	2.5
– Hog production	%/pp	**(1.2)**	1.5	(2.7)
Per unit operating profit/(loss)				
– Packaged meat products	US$ per metric tons	**458.1**	471.0	(12.9)
– Fresh pork	US$ per head	**11.1**	4.7	6.4
– Hog production	US$ per head	**(2.1)**	2.8	(4.9)
Net profit margin	%/pp	**5.6**	5.1	0.5
Current ratio	times	**1.5**	1.8	(0.3)
Cash conversion cycle	days	**31.6**	34.8	(3.2)
Debt to equity ratio	%/pp	**40.9**	58.4	(17.5)
Debt to EBITDA ratio	times	**1.3**	1.9	(0.6)
Return on total assets	%/pp	**8.9**	6.9	2.0
Return on equity	%/pp	**17.2**	14.4	2.8

III. ANALYSIS OF CAPITAL RESOURCES

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US$1,139 million as at December 31, 2016, which were held primarily in Renminbi, U.S. dollars, Polish Zloty and Romanian Lei (2015: US$1,137 million). From time to time, we also hold certain redeemable financial products for treasury management purpose to obtain higher yields than we can otherwise receive on regular bank deposits. We will assess, among other things, the return and risks, purchase amount, type of investments and counter party in each and every investment decision. Such financial products are classified as part of our available-for-sale investments. As at December 31, 2016, the balance of financial products was nil (2015: US$397 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.5:1 as at December 31, 2016 (2015: 1.8:1). The aggregate amount of unutilised banking facilities as at December 31, 2016 was US$2,720 million (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 2016, our EBITDA, before biological fair value adjustments, amounted to US$2,238 million (2015: US$2,044 million). Our net cash from operating activities remained strong at US$1,850 million (2015: US$1,613 million) in line with our performance. Our net cash used in investing activities in 2016 amounted to US$141 million (2015: US$514 million). The decrease from last year was mainly resulted from the reduced position of our financial products and lower level of capital expenditures. Our net cash used in financing activities in 2016 amounted to US$1,673 million (2015: US$901 million). The repayment of the substantial amount of borrowings demonstrates our commitment to manage the capital structure of the Group. After all, our net increase in cash was US$36 million in 2016, as compared to US$198 million in 2015.

Debt Profile

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

	As at December 31, 2016 *US$ million*	As at December 31, 2015 *US$ million*
Borrowings by nature		
Senior unsecured notes	**1,882**	2,142
Bank borrowings	**833**	1,603
Medium term notes	**144**	154
Loans from third parties	**3**	3
Bank overdrafts	**16**	12
	2,878	3,914
Borrowings by geographical region		
U.S.	**1,912**	2,225
Hong Kong	**453**	1,152
China (not including Hong Kong)	**443**	499
Others	**70**	38
	2,878	3,914

The Group's total principal amount of outstanding borrowings as at December 31, 2016 was US$2,864 million (December 31, 2015: US$3,896 million). The maturity profile is analyzed as follows:

	Total
In 2017	35%
In 2018	20%
In 2019	1%
In 2020	1%
In 2021	12%
In 2022	31%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. A 87.0% majority of our borrowings is denominated in U.S. dollar as at December 31, 2016 (87.8% as at December 31, 2015).

As at December 31, 2016, 96.8% of our borrowings were unsecured (2015: 98.5%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no material default in repayment of bank borrowings, nor did it breach any relevant finance covenants for the year.

Leverage Ratios

As at December 31, 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 40.9% and 24.7% respectively (2015: 58.4% and 41.4% respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank over drafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA, before biological fair value adjustments) were 1.3:1 and 0.8:1 respectively (2015: 1.9:1 and 1.4:1 respectively).

Finance Costs

Our finance costs reduced from US$219 million in 2015 to US$183 million in 2016. As at December 31, 2016, about 17.6% of our borrowings carried floating interest rates and the average interest rate of our total borrowings was 5.2%, as compared to 4.9% in 2015.

After the year end of December 31, 2016, the Group completed certain refinancing activities that will impact the finance costs of the Group in 2017 and going forward. Further information is discussed under Subsequent Events in this announcement.

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. During the year, three key international credit rating agencies Fitch (Hong Kong) Limited ("**Fitch**"), Moody's Investor Service Limited ("**Moody's**") and S&P Global Ratings ("**S&P**"), announced their respective first-time ratings assigned to the Group/Company. Our Long-Term Foreign-Currency Issuer Default Rating ("**IDR**") and senior unsecured rating are BBB+ according to Fitch. Our long-term corporate credit rating is BBB according to S&P. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings are stable.

The rating of our wholly owned subsidiary, Shuanghui Group, according to China Cheng Xin International Credit Rating Co. Ltd.* (中誠信國際信用評級有限公司), is AAA. For our wholly owned subsidiary, Smithfield, Fitch assigned to it a first-time IDR of BBB with a stable outlook. Following the rating assignment to the Group, S&P also upgraded the corporate credit rating of Smithfield from BB to BBB–. The outlook is stable. According to Moody's, Smithfield's corporate family rating is Ba2. The outlook is positive.

IV. CAPITAL EXPENDITURES

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

In 2016, capital expenditures amounted to US$451 million (2015: US$629 million). The following table sets out our capital expenditures by geographical region for the year indicated:

	2016 ***US$ million***	2015 *US$ million*
China	**80**	224
U.S.	**306**	335
Others	**65**	70
	451	629

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

As at the year end of 2016, we owned an annual production capacity of packaged meat products of 2.2 million metric tons in China and 1.7 million metric tons in U.S. and their respective utilization rates were 71.6% and 83.7%. Annual production capacity of fresh pork was 21.0 million heads in China and 31.0 million heads in U.S.. Their utilisation rates were 58.8% and 98.8%, respectively.

V. HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at December 31, 2016, we had approximately 104 thousand employees in total, with approximately 53 thousand employees in our China operation and approximately 51 thousand employees in our U.S. and European operations. It is our policy to ensure that remuneration for employees, inducing the Chief Executive Officer and other Directors is appropriate and aligns with the goals, objectives and performances of the Group. Total remuneration expenses in 2016 amounted to US$3,210 million (2015: US$3,197 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; long term incentives such as share-based payments as well as retirement benefits scheme. Further information on the share-based payments of the Company will be available in the annual report for the year ended December 31, 2016. The Group also provides training programs for the employees with a view to constantly improving their skills and knowledge.

* *For identification purposes only*

VI. BIOLOGICAL ASSETS

As at December 31, 2016, we had a total of 12.1 million hogs, consisting of 11.0 million live hogs and 1.1 million breeding stock, a 4.0% increase from 11.6 million hogs as at December 31, 2015. We also had a total of 4.4 million poultry, consisting of 3.8 million broiler and 0.6 million breeding stock. The fair value of our biological assets was US$1,119 million as at December 31, 2016, as compared to US$1,065 million as at December 31, 2015.

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

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

These adjustments led to an increase of US$145 million and US$64 million in our cost of sales in 2016 and 2015, 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 gains of US$180 million and losses of US$10 million, respectively in 2016 (2015: losses of US$28 million and US$35 million, respectively). Overall speaking, the net impact of biological fair value adjustments on our profit was a gain in the amount of US$22 million in 2016, as compared to a loss in the amount of US$80 million in 2015.

VII. KEY INVESTMENT INTERESTS

The Group has joint venture interests in two pork companies in Mexico, Granjas Carroll de Mexico ("**GCM**") and Norson Holdings ("**Norson**"). GCM sells live hogs into the Mexico City market, one of the largest markets in the world. Norson primarily produces hogs for use in its fresh pork operations. As at December 31, 2016, GCM and Norson had in aggregate approximately 0.1 million sows on the farms in the states of Veracruz, Puebla and Sonora. In 2016, share of profit from the Mexican joint ventures was US$24.9 million (2015: US$14.5 million). It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

VIII. CONTINGENT LIABILITIES

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

IX. 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 will affect our results.

In China, we mitigate the effects of price fluctuations through overseas import, strategic inventory management and effective transfer of raw material prices to end customers. In U.S., these commodities are actively traded on the exchanges. We hedge when we determine conditions are appropriate to mitigate price risk. The main objectives of our hedges 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 these hedging activities 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. For the purpose of hedging, 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. We monitor foreign exchange exposure at any time. We enter into foreign exchange forward, currency swaps and options contracts to hedge significant foreign currency exposure should the need arise.

Our borrowings carry fixed or floating interest rates. At December 31, 2016, approximately 82.4% of our borrowings were at fixed interest rates (2015: 62.9%). According to different market conditions, we monitor and regulate the debt portfolio of the Group from time to time and enter into interest rate swap contracts periodically to manage and hedge our interest rate exposure.

SUBSEQUENT EVENTS

Acquisition of Clougherty Packing LLC

On January 3, 2017, the Group completed the acquisition of Clougherty Packing LLC from Hormel Foods Corporation for $139.3 million, subject to post-closing adjustments. Through this acquisition, the Group added the Farmer John and Saag's Specialty Meats brands, as well as two processing facilities, three farms, and approximately 2,000 employees. This acquisition provides the Group with an enhanced supply chain and has expanded the Group's operations, product portfolio and consumer base. The Group has not yet allocated the purchase price to the underlying assets and liabilities as the evaluation of fair value of the assets acquired and liabilities assumed has not yet been completed.

Refinancing of existing indebtedness

On February 1, 2017, the Group completed the issuance of US$1,400 million aggregate principal amount of senior unsecured notes, which is comprised of US$400 million aggregate principal amount of 2.700% senior notes due 2020, US$400 million aggregate principal amount of 3.350% senior notes due 2022 and US$600 million aggregate principal amount of 4.250% senior notes due 2027 (Collectively, the "**New Notes**"). On February 17, 2017, the Group also entered into a credit agreement, which consists of US$1,000 million of senior unsecured revolving facility and US$500 million of senior unsecured term loan, with a bank group (the "**New Credit Facility**"). The net proceeds from the New Notes and the term loan portion of the New Credit Facility were used to refinance part of the Group's existing debts to reduce future finance costs and improve debt maturity profile. Therefore, on February 1, 2017, we completed the tender offer to repurchase US$360 million of the 7.750% senior notes due 2017, leaving a remaining balance of US$81 million which will be repaid at maturity on July 1, 2017. On February 21, 2017, we redeemed all of the aggregate principal amount of the outstanding 5.250% senior notes due 2018, 5.875% senior notes due 2021 and 6.625% senior notes due 2022. As a result of these refinancing activities, the Group is expected to record a loss on debt extinguishment of approximately US$70 million in the first quarter of 2017 but will also benefit from certain interest savings in the following years since 2017.

PROSPECTS

The Group achieved satisfactory performance by overcoming the challenging operating environment in 2016. Looking ahead, global economic activity is expected to pick up pace after a year of subdued growth in 2016 while the worldwide political economic environment is heading into a more uncertain and instable period. Although these external factors can represent both opportunities and threats, we are in the staple food business and will continue to grow. We will adhere to our corporate strategies to achieve operational excellence in our existing operations and to integrate resources to expand our global platform. As one of the world's largest protein companies, we are committed to providing consumers with safe and delightful products of high quality. We will also devote every effort to further strengthening our leading position in the industry.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended December 31, 2016, which have been audited by the independent auditor of the Company, Deloitte Touche Tohmatsu, and reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

		2016			2015		
	Notes	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Turnover	*3*	**21,534**	**–**	**21,534**	21,209	–	21,209
Cost of sales		**(17,182)**	**(145)**	**(17,327)**	(17,065)	(64)	(17,129)
Gross profit		**4,352**	**(145)**	**4,207**	4,144	(64)	4,080
Distribution and selling expenses		**(1,794)**	**–**	**(1,794)**	(1,783)	–	(1,783)
Administrative expenses		**(748)**	**–**	**(748)**	(740)	–	(740)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**180**	**180**	–	(28)	(28)
Loss arising from changes in fair value less costs to sell of biological assets		**–**	**(10)**	**(10)**	–	(35)	(35)
Other income	*4*	**107**	**–**	**107**	96	–	96
Other gains and losses	*5*	**(40)**	**–**	**(40)**	1	–	1
Other expenses	*6*	**(49)**	**–**	**(49)**	(84)	–	(84)
Finance costs	*7*	**(183)**	**–**	**(183)**	(219)	–	(219)
Share of profits (losses) of associates		**8**	**–**	**8**	(1)	–	(1)
Share of profits of joint ventures		**25**	**–**	**25**	15	–	15
Profit before taxation	*8*	**1,678**	**25**	**1,703**	1,429	(127)	1,302
Taxation	*9*	**(462)**	**(3)**	**(465)**	(354)	47	(307)
Profit for the year		**1,216**	**22**	**1,238**	1,075	(80)	995

	Notes	2016 Results before biological fair value adjustments US$'million	2016 Biological fair value adjustments US$'million	2016 Total US$'million	2015 Results before biological fair value adjustments US$'million	2015 Biological fair value adjustments US$'million	2015 Total US$'million
Other comprehensive expense for the year:							
Items that will not be reclassified subsequently to profit or loss:							
– remeasurement on defined benefit pension plans				**(31)**			(12)
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				**(251)**			(245)
– fair value change in cash flow hedge				**18**			(47)
– reclassification adjustment on translation reserve released on disposal of interest in an associate				**–**			36
				(233)			(256)
Other comprehensive expense for the year, net of tax				**(264)**			(268)
Total comprehensive income for the year				**974**			727
Profit for the year attributable to							
– owners of the Company				**1,036**			786
– non-controlling interests				**202**			209
				1,238			995
Total comprehensive income for the year attributable to							
– owners of the Company				**827**			558
– non-controlling interests				**147**			169
				974			727
Earnings per share	*12*						
– Basic (US$ cents)				**7.58**			5.75
– Diluted (US$ cents)				**7.25**			5.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2016

	Notes	**2016** **US$'million**	2015 US$'million
Non-current assets			
Property, plant and equipment	*13*	**4,529**	4,674
Prepaid lease payments		**195**	215
Biological assets	*14*	**186**	200
Goodwill		**1,784**	1,801
Intangible assets		**1,681**	1,715
Interests in associates		**62**	63
Interests in joint ventures		**119**	122
Other receivables		**47**	45
Available-for-sale investments		**5**	–
Pledged bank deposits		**8**	9
Deferred tax assets		**28**	146
Other non-current assets		**124**	98
		8,768	9,088
Current assets			
Biological assets	*14*	**933**	865
Inventories	*15*	**1,678**	1,748
Trade and bills receivables	*16*	**793**	725
Prepayments, deposits and other receivables		**208**	231
Prepaid lease payments		**5**	5
Taxation recoverable		**16**	88
Available-for-sale investments		**–**	397
Derivatives financial assets		**20**	–
Pledged/restricted bank deposits		**51**	17
Bank balances and cash		**1,139**	1,137
		4,843	5,213
Current liabilities			
Trade and bills payables	*17*	**854**	812
Accrued expenses and other payables	*18*	**1,411**	1,371
Taxation payable		**36**	44
Derivatives financial liabilities		**11**	26
Borrowings	*19*	**995**	594
Bank overdrafts	*19*	**16**	12
		3,323	2,859
Net current assets		**1,520**	2,354
Total assets less current liabilities		**10,288**	11,442

	Notes	**2016** **US$'million**	2015 US$'million
Non-current liabilities			
Borrowings	*19*	**1,867**	3,308
Other payables	*18*	**162**	149
Obligations under finance leases		**23**	23
Deferred tax liabilities		**887**	810
Deferred revenue		**8**	9
Pension liability and other retirement benefits		**303**	440
		3,250	4,739
Net assets		**7,038**	6,703
Capital and reserves			
Share capital		**1**	1
Reserves		**6,315**	5,762
Equity attributable to owners of the Company		**6,316**	5,763
Non-controlling interests		**722**	940
Total equity		**7,038**	6,703

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	2016 *US$ million*	2015 *US$ million*
Net cash from operating activities	**1,850**	1,613
Net cash used in investing activities	**(141)**	(514)
Net cash used in financing activities	**(1,673)**	(901)
Net increase in cash and cash equivalents	**36**	198
Effect of foreign exchange rate changes	**(38)**	(31)
Cash and cash equivalents at January 1	**1,125**	958
Cash and cash equivalents at December 31	**1,123**	1,125
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,139**	1,137
Bank overdrafts	**(16)**	(12)
	1,123	1,125

1. GENERAL

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

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

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended December 31, 2016 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in hog production, production and sales of fresh pork and packaged meats.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARD ("IFRSs")

For the purpose of preparing and presenting the consolidated financial statements of the Group for the year ended December 31, 2016, the Group has consistently adopted the accounting policies which conform with IFRSs that are effective for the financial period beginning on January 1, 2016 throughout the year.

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

Amendments to IFRS 11	Accounting for Acquisitions of Interest 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

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

Amendments to IAS 1 *Disclosure Initiative*

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Furthermore, the information on capital risk management and financial instruments have been recorded to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the Related Amendments [1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2017
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

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

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

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at December 31, 2016.

For entities with available-for-sale investments and financial assets at amortised cost

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

For entities with hedging activities

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the International Accounting Standards Board issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the business model of the Group as at December 31, 2016, the directors of the Company do not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of US$285 million.

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

3. TURNOVER AND SEGMENT INFORMATION

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

	2016	2015
	US$'million	*US$'million*
Sales of packaged meats	**11,074**	11,240
Sales of fresh pork	**9,178**	8,591
Hog production	**844**	990
Others	**438**	388
	21,534	21,209

Segment information

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

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

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

(iii) Hog production – represents hog farming.

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

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

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

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

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

For the year ended December 31, 2016

	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Gross segment revenue	3,344	4,757	92	394	8,587
Less: Inter-segment and inter-location sales	–	(563)	(78)	(191)	(832)
Net external sales	3,344	4,194	14	203	7,755
Reportable segment profit (loss)	725	98	38	(38)	823
U.S.					
Gross segment revenue	7,125	7,029	2,702	–	16,856
Less: Inter-segment and inter-location sales	(2)	(2,588)	(1,908)	–	(4,498)
Net external sales	7,123	4,441	794	–	12,358
Reportable segment profit (loss)	714	472	(144)	(154)	888
Others					
Gross segment revenue	652	896	518	309	2,375
Less: Inter-segment and inter-location sales	(45)	(353)	(482)	(74)	(954)
Net external sales	607	543	36	235	1,421
Reportable segment profit (loss)	36	(25)	66	–+	77
Total					
Gross segment revenue	11,121	12,682	3,312	703	27,818
Less: Inter-segment and inter-location sales	(47)	(3,504)	(2,468)	(265)	(6,284)
Net external sales	11,074	9,178	844	438	21,534
Reportable segment profit (loss)	1,475	545	(40)	(192)	1,788
Net unallocated income					40
Biological fair value adjustments					25
Finance costs					(183)
Share of profits of associates					8
Share of profits of joint ventures					25
Profit before taxation					1,703

\+ Less than US$1 million.

For the year ended December 31, 2015

	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Gross segment revenue	3,559	3,881	86	366	7,892
Less: Inter-segment and inter-location sales	–	(537)	(77)	(191)	(805)
Net external sales	3,559	3,344	9	175	7,087
Reportable segment profit (loss)	782	80	18	(69)	811
U.S.					
Gross segment revenue	7,089	7,037	3,069	–	17,195
Less: Inter-segment and inter-location sales	(1)	(2,320)	(2,129)	–	(4,450)
Net external sales	7,088	4,717	940	–	12,745
Reportable segment profit (loss)	668	168	12	(152)	696
Others					
Gross segment revenue	637	844	447	278	2,206
Less: Inter-segment and inter-location sales	(44)	(314)	(406)	(65)	(829)
Net external sales	593	530	41	213	1,377
Reportable segment profit (loss)	49	(22)	24	(1)	50
Total					
Gross segment revenue	11,285	11,762	3,602	644	27,293
Less: Inter-segment and inter-location sales	(45)	(3,171)	(2,612)	(256)	(6,084)
Net external sales	11,240	8,591	990	388	21,209
Reportable segment profit (loss)	1,499	226	54	(222)	1,557
Net unallocated income					77
Biological fair value adjustments					(127)
Finance costs					(219)
Share of losses of associates					(1)
Share of profits of joint ventures					15
Profit before taxation					1,302

No segment assets and liabilities are disclosed as they are 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. OTHER INCOME

	2016	2015
	US$'million	*US$'million*
Government subsidy directly credited to income	**63**	55
Interest income	**10**	12
Income on sales of raw materials	**9**	10
Rental income	**6**	11
Others	**19**	8
	107	96

5. OTHER GAINS AND LOSSES

	2016	2015
	US$'million	*US$'million*
Gain on maturity of available-for-sale investments	**14**	28
Impairment loss recognised in respect of property, plant and equipment	**(47)**	(4)
Loss on disposal of property, plant and equipment	**(16)**	(10)
Net exchange gain (loss)	**4**	(26)
Others	**5**	13
	(40)	1

6. OTHER EXPENSES

	2016	2015
	US$'million	*US$'million*
Share-based payments	**(47)**	(83)
Donations	**(1)**	–+
Others	**(1)**	(1)
	(49)	(84)

+ Less than US$1 million.

7. FINANCE COSTS

	2016	2015
	US$'million	*US$'million*
Amortisation of transaction costs	**(14)**	(8)
Interests on senior unsecured notes	**(117)**	(136)
Interests on medium-term unsecured notes	**(6)**	(2)
Interests on borrowings	**(47)**	(73)
Less: Amounts capitalised in the cost of qualifying assets	**1**	–+
	(183)	(219)

8. PROFIT BEFORE TAXATION

	2016	2015
	US$'million	*US$'million*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit services	**4**	5
– non-audit services	**1**	1
Depreciation of property, plant and equipment	**363**	384
Amortisation of intangible assets included in administrative expenses	**9**	7
Release of prepaid lease payments	**5**	5
Write-down of inventories included in cost of sales	**24**	16
Net allowance on trade receivables	**1**	–+
Operating leases rentals in respect of rented premises	**85**	82
Research and development expenses	**84**	87
Staff costs	**3,167**	3,122
and after crediting:		
Gain on disposal of an associate	**–**	1

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

+ Less than US$1 million.

9. TAXATION

	2016	2015
	US$'million	*US$'million*
The charge comprises:		
China Enterprise Income Tax	**(197)**	(209)
U.S. and other overseas income tax	**(6)**	(130)
Withholding tax	**(49)**	(21)
Deferred taxation	**(213)**	53
	(465)	(307)

10. DIVIDENDS

	2016	2015
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2015 final dividend of HK$12.5 cents per share (2014: Nil)	**219**	–
2016 interim dividend of HK$5 cents per share (2015: Nil)	**89**	–
	308	–

The final dividend of HK$0.21 per share in respect of the year ended December 31, 2016 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

11. DISPOSAL OF AN ASSOCIATE

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

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

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

+ Less than US$1 million.

12. 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:

	2016	2015
	US$'million	*US$'million*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**1,036**	786
	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note 1)*	**13,666.40**	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	**14,297.98**	14,297.54

Note:

1. 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 years ended December 31, 2016 and December 31, 2015 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$451 million (2015: US$627 million) on addition of property, plant and equipment.

14. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	2016	2015
	Head	*Head*
	'000	*'000*
Live hogs		
– suckling	1,574	1,555
– nursery	2,243	2,203
– finishing	7,220	6,816
	11,037	10,574
Breeding stock (hogs)	1,066	1,066
	12,103	11,640
Broiler	3,846	2,862
Breeding stock (poultry)	531	455
	4,377	3,317

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

(i) *Regulatory and environmental risks*

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

(ii) *Climate, disease and other natural risks*

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

Analysed for reporting purpose as:

	2016	2015
	US$'million	*US$'million*
Current	**933**	865
Non-current	**186**	200
	1,119	1,065

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 commercial chicken, and vice versa.

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

	2016	2015
China		
Breeding stock (hogs)		
Per head market price(1) (RMB)	**2,187**	2,018
Suckling hogs		
Per head cost(2) (RMB)	**63**	57
Finishing hogs		
Per head market price(3) (RMB)	**1,807**	1,467
Per head weekly average breeding costs required to raise to finishing hogs(4) (RMB):	**65**	40
Breeding stock (poultry)		
Per head market price(1) (RMB)	**25**	25
Broiler		
Per head market price(3) (RMB)	**17**	16
Per head average breeding costs required raise to broiler(4) (RMB)	**17**	17
U.S.		
Breeding stock – Sow (hogs)		
Per head market price(1) (US$)	**172**	186
Breeding stock – Boar (hogs)		
Per head market price(1) (US$)	**87**	96
Suckling hogs		
Per head cost(2) (US)	**31**	31
Finishing hogs		
Per head market price(3) (US$)	**139**	129
Per head weekly average breeding costs required to raise to finishing hogs(4) (US$):	**5.5**	5.2

Notes:

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

15. INVENTORIES

	2016	2015
	US$'million	*US$'million*
Raw materials	**626**	696
Work in progress	**85**	76
Finished goods	**967**	976
	1,678	1,748

16. TRADE AND BILLS RECEIVABLES

	2016	2015
	US$'million	*US$'million*
Trade receivables	**792**	727
Less: Allowances for bad and doubtful debts	**(8)**	(7)
	784	720
Bills receivables	**9**	5
	793	**725**

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

	2016	2015
	US$'million	*US$'million*
Age		
0 to 30 days	**728**	647
31 to 90 days	**55**	62
91 to 180 days	**10**	16
	793	725

Movement in the allowances for bad and doubtful debts:

	2016	2015
	US$'million	*US$'million*
At January 1	**(7)**	(7)
Currency realignment	**–+**	–
Recognised during the year	**(2)**	–+
Reversed during the year	**1**	–
At December 31	**(8)**	(7)

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

\+ Less than US$1 million.

17. TRADE AND BILLS PAYABLES

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

	2016	2015
	US$'million	*US$'million*
Trade payables	**854**	812

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

	2016	2015
	US$'million	*US$'million*
Age		
0 to 30 days	**832**	786
31 to 90 days	**15**	22
91 to 180 days	**2**	2
181 to 365 days	**5**	2
	854	812

18. ACCRUED EXPENSES AND OTHER PAYABLES

	2016	2015
	US$'million	*US$'million*
Accrued staff costs	**447**	394
Deposits receipts	**216**	206
Sales rebates payables	**211**	193
Payables in respect of acquisition of property, plant and equipment	**119**	189
Insurance payables	**117**	113
Interest payable	**56**	62
Balance of contingent consideration in respect of acquisition of subsidiaries	**63**	54
Growers payables	**38**	35
Deferred compensation	**32**	32
Accrued rent and utilities	**29**	30
Pension liability	**33**	31
Accrued professional fees	**35**	25
Accrued advertising expenses	**24**	26
Dividend payable	**17**	–
Amounts due to associates	**7**	4
Deferred revenue	**1**	2
Brokers payables	**1**	–[+]
Obligations under finance leases	**1**	1
Other payables	**126**	123
	1,573	1,520
Analysed for reporting purposes as:		
Current	**1,411**	1,371
Non-current	**162**	149
	1,573	1,520

[+] Less than US$1 million.

19. BORROWINGS

	2016	2015
	US$'million	*US$'million*
Senior unsecured notes:		
6.625% senior unsecured notes due August 2022	**898**	900
7.750% senior unsecured notes due July 2017	**434**	447
5.875% senior unsecured notes due August 2021	**350**	349
5.250% senior unsecured notes due August 2018	**200**	446
	1,882	2,142
Medium-term unsecured notes	**144**	154
Bank loans *(Note 1)*:		
Secured	**89**	59
Unsecured	**744**	1,544
Loans from third parties *(Note 2)*:		
Secured	**1**	1
Unsecured	**2**	2
	2,862	3,902
Bank overdrafts *(Note 3)*	**16**	12
The borrowings other than bank overdrafts are repayable as follows *(Note 4)*:		
Within one year	**995**	594
Between one to two years	**575**	777
Between two to five years	**389**	1,278
After five years	**903**	1,253
	2,862	3,902
Less: Amounts due within one year shown under current liabilities	**(995)**	(594)
Amounts due after one year	**1,867**	3,308
Total borrowings:		
At fixed rates	**2,359**	2,456
At floating rates	**503**	1,446
	2,862	3,902
Analysis of borrowings by currency:		
Denominated in US$	**2,507**	3,436
Denominated in RMB	**283**	426
Denominated in Romanian Leu	**43**	6
Denominated in Polish Zloty	**24**	29
Denominated in British Pound	**3**	3
Denominated in EUR	**2**	2
	2,862	3,902

Notes:

1. Fixed rate bank loans carry interest at fixed rates ranging from 2.45% to 5.70% (2015: 2.67% to 5.25%) and floating rates ranging from LIBOR + 0.75% to LIBOR + 2.50% per annum at December 31, 2016 (2015: LIBOR + 0.68% to LIBOR + 3.25%).

2. Loans from third parties carry interests at fixed rates of 0.9% per annum at December 31, 2016 (2015: 0.9% per annum).

3. Bank overdrafts at December 31, 2016 carry interest at 3.50% per annum (2015: 4.35% per annum).

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

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 or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the years ended December 31, 2016 and December 31, 2015.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the independent auditor of the Company, Deloitte Touche Tohmatsu, and reviewed the Group's consolidated financial statements for the year ended December 31, 2016, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group's consolidated financial statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial statements for the year ended December 31, 2016.

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 year ended December 31, 2016, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**Code**") in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.2.1 – Chairman and Chief Executive Officer

Under the Code provision A.2.1, the roles of 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors adopted by the Company on terms no less exacting than the required standards set out in the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. 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 throughout the year ended December 31, 2016.

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 year ended December 31, 2016.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.21 per share for the year ended December 31, 2016 (the "**2016 Final Dividend**") to the shareholders (the "**Shareholders**") of the Company subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company. Taking into account of the interim dividend of HK$0.05 per share paid on September 20, 2016, total dividend for the year ended December 31, 2016 will be HK$0.26 per share (2015: HK$0.125 per share). The 2016 Final Dividend is expected to be paid in cash to the Shareholders on or about Monday, June 19, 2017.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) To attend and vote at the Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Thursday, May 18, 2017 to Tuesday, May 23, 2017, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Register**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, May 17, 2017.

(ii) To qualify for the proposed 2016 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2016 Final Dividend, the registers of members of the Company will be closed from Wednesday, May 31, 2017 to Friday, June 2, 2017, both days inclusive. In order to qualify for the proposed 2016 Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Monday, May 29, 2017.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, May 23, 2017. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course, and in any event not later than 20 clear business days before the Annual General Meeting.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2016 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, March 22, 2017

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun, Mr. ZHANG Taixi, Mr. SULLIVAN Kenneth Marc and Mr. YOU Mu; the non-executive Director is Mr. JIAO Shuge; and the independent non-executive Directors are Mr. HUANG Ming, Mr. LEE Conway Kong Wai and Mr. LAU, Jin Tin Don.