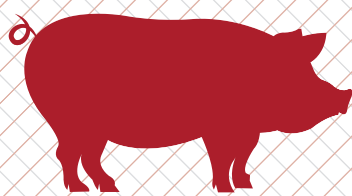
萬洲國際
WH GROUP

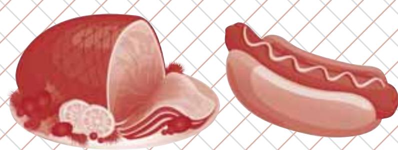
萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 288



2016 ANNUAL REPORT



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CORPORATE INFORMATION

Legal Name of the Company
WH Group Limited

Place of Listing and Stock Code
The shares of the Company were listed on the Main Board of the Stock Exchange 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

Risk Management Committee
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. SULLIVAN Kenneth Marc
Mr. YOU Mu
Mr. LEE Conway Kong Wai

Auditor for the Review Period
Deloitte Touche Tohmatsu

Legal Advisor
Paul Hastings

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

Authorised Representatives
Mr. WAN Long
Mr. CHAU Ho

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

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

Registered Office
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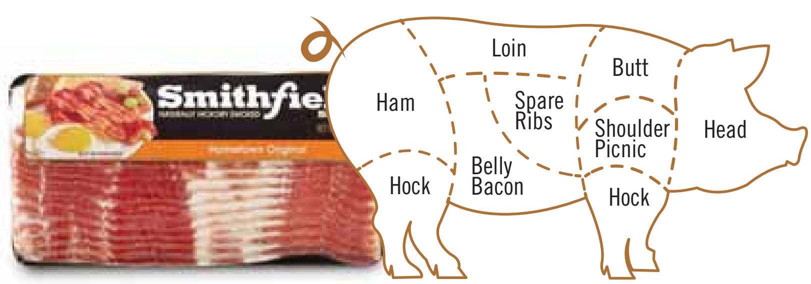
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

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

	2016	2015
Key operating data		
Hogs produced (million heads)	**19.2**	19.1
Hogs processed (million heads)	**49.3**	48.3
Packaged meats 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 stated otherwise)		US$ million (unless stated otherwise)	
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%

Major Achievements

Debuts in the "Fortune Global 500" list

Profit attributable to owners of the Company exceeded US$1 billion

First time international ratings assigned (Fitch: BBB+; Moody's: Baa2; S&P: BBB)

Smithfield brand ranks top 3 by sales of low temperature packaged meats in China[1]

Leader of Sino-US pork and pork products trade[2]

Sources:
(1) Nielson's research on hypermarkets in 15 major Chinese cities
(2) Internal data and USDA

Wan Long
Chairman and Chief Executive Officer

CHAIRMAN'S STATEMENT

As a result of our ongoing efforts to establish a global platform, realize synergies, enhance capital structure and promote management efficiency, we enlarged our scale and improved our competitiveness. Going forward, we will continue to drive good performance and deliver value to shareholders.

Dear **shareholders,**

2016 was a year full of challenges yet also achievements. Notwithstanding a complex and dynamic macro environment, we delivered a record earnings relying on our integrated business chain and effective operating management. I am pleased to report that, the Group's operating profit increased 14.8% from one year earlier to US$1,788 million in 2016. Net profit was up 24.4% to US$1,238 million. The Board has recommended a final dividend of HK$0.21 per share for 2016. Together with the interim dividend already paid, our total dividend in 2016 is HK0.26 per share, an increase from HK$0.125 per share in 2015.

During the previous year, we primarily adopted the following strategic initiatives:

Strengthen management to tackle challenges

In 2016, our operation in China was facing the pressure of slowdown in economic growth, lackluster consumption as well as surge in hog prices as a result of decreased supplies. Our operation in the U.S., on the other hand, headed to overcome the risk of having volatile performance coupled with commodity price movements as in the past.

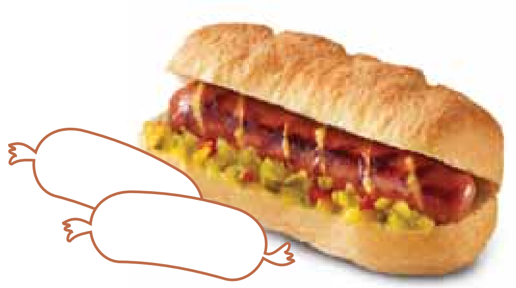
Against such backdrop, we maintained stable margins in China's fresh pork and packaged meats businesses in spite of the strong increase in hog prices year over year. We attained remarkable growth in the U.S. even though our hog production business was loss marking this year. The consolidated results of the Group was also performing well. Hence, the Group's results in 2016 was indeed a valid testing ground of our management effectiveness.

Continue integration to advance competitiveness

The results of the Group in 2016 was also driven by the progress that we made on our various integration programs.

In China, we remain committed to structural transformation to become more market oriented and consumer-focused by developing new products and improving our product mix. During the year, we introduced the Smithfield brand into the Chinese market. Meanwhile, we also invested in process innovation and improvement to promote efficiencies and reduce costs.

Likewise in the U.S., we pursued "One Smithfield" and "Operational Excellence" as our management principles. We strived for fully unleashing the benefits of having vertically integrated business and enhancement in operation to increase our overall efficiencies and bring about considerable growth in our fresh pork and packaged meats businesses.



Promote synergies to crystalize benefits

Being an emerging global player, to excavate the potential values and realize the synergies of our businesses around the globe is one of the important tasks of the Group's management team. In 2016, we achieved considerable synergy effects out of our China and U.S. businesses. The export volume of pork from U.S. to China continued to go up significantly. It increased our sales and profits in U.S. on one hand while lowered our costs of production and enhanced our marketing power in China on the other hand, resulting in the growth of our Group's performance.

Improve balance sheet to enhance credit

Benefitting from our strong operating cash flows of the Group, our capital structure kept strengthening. Debt to EBITDA ratio maintained at below 2 times in 2016. The improved credit profile of the Group was recognized by the three international rating agencies in their first assignment of corporate ratings to the Group/Company.

To conclude, despite the fact that the macro and industrial environments were challenging, our results in 2016 broadly matched our expectation. Another exciting accomplishment for the Group in 2016 was that we debuted in the "Fortune Global 500" list. This opened a new horizon for us. We will cautiously consider the opportunities brought by industry consolidation, geographical expansion and business diversification. We will further integrate resources and advocate globalization. With branded packaged meats as our core business, we will continue to turn ourselves into a consumer goods company. These strategies will eventually lead to sustainable growth, solidify our global leadership and create better value for our shareholders, employees and communities.

WAN Long
Chairman of the Board and Chief Executive Officer

Board of Directors

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

WAN Long (萬隆)

Executive Director, Chairman and Chief Executive Officer

WAN Long (萬隆) age 76, was appointed as a Director on October 16, 2007 and has been the Chairman of our Board since November 26, 2010. He also holds directorships in various subsidiaries of the Group. He was designated as our executive Director on December 31, 2013 and has been the Company's chief executive officer since October 2013. Mr. Wan has been the chairman of the board of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Wan joined Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) in May 1968 and became the general manager of the factory in 1984. Under Mr. Wan's direction, our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. Mr. Wan has over 40 years of experience in the meat processing industry. He has been a representative of the Ninth to Twelfth China's National People's Congress (中華人民共和國全國人民代表大會) in 1998, 2003, 2008 and 2013 and was appointed as an executive director of the China Meat Association (中國肉類協會) from December 2006 to December 2011 and a senior consultant of the China Meat Association (中國肉類協會) in 2001. Mr. Wan received his professional certificate in business management from the Henan University of Animal Husbandry and Economy (河南牧業經濟學院, previously The Henan Business College (河南商業專科學校)) in May 1991 and was awarded the senior economist professional qualification issued by the Henan Province Advanced Professional Titles Adjudication Committee (Economic Disciplines) (河南省經濟系列高級評審委員會) in July 1999. Mr. Wan is the father of Mr. Wan Hongjian.

JIAO Shuge (焦樹閣)

Non-Executive Director and Deputy Chairman

JIAO Shuge (焦樹閣), age 51, was appointed as our Director on April 28, 2006 and as the deputy chairman of our Board on November 26, 2010. He also holds directorships in various subsidiaries of the Group. He was designated as a non-executive Director on December 31, 2013. Mr. Jiao has been a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Jiao was appointed as a director of CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited, each of which is a Shareholder of the Company, on February 27, 2006, March 9, 2007, July 27, 2009 and December 16, 2009, respectively. Mr. Jiao is also currently a director and managing partner of CDH China Management Company Limited.

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

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

GUO Lijun (郭麗軍)

Executive Director, Executive Vice President and Chief Financial Officer

GUO Lijun (郭麗軍), age 46, was appointed as an executive Director on December 31, 2013. He has also served as an executive vice president and the chief financial officer of the Company since April 2016. He also holds directorships in various subsidiaries of the Group. Prior to this, Mr. Guo was our deputy chief executive officer from October 2013 to January 2014, and a vice president and the chief financial officer of the Company from January 2014 to March 2016. Mr. Guo has over 20 years of experience overseeing the financial operations of various companies. Mr. Guo worked as an accountant in the finance department of the Henan Luohe Meat Products Processing United Factor (河南省漯河市肉類聯合加工廠) from June 1993 to March 1996. Mr. Guo was also the financial controller of Luohe Chinachem Shuanghui Packaging Industry Co., Ltd. (漯河華懋雙匯化工包裝有限公司) and Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑料工程有限公司) from April 1996 to February 2001. Mr. Guo held various positions in Shuanghui Group from March 2001 to August 2012, including serving as its deputy director, its director of the finance department and its chief financial officer. In addition, Mr. Guo was also the executive vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) from August 2012 to October 2013.

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

ZHANG Taixi (張太喜)

Executive Director; General Manager of Shuanghui Group

ZHANG Taixi (張太喜), age 44, was appointed as an executive Director on December 31, 2013. Mr. Zhang has been appointed as a director of Shuanghui Group since January 2014, and has been its general manager since September 2015. He also holds directorships in various subsidiaries of the Group. From 1996 to September 2007, Mr. Zhang worked as a workshop manager in Luohe Shuanghui Canned Foods Company Limited (漯河雙匯罐頭食品股份有限公司); as the deputy director of the control center, the workshop manager and the deputy factory director of the Shuanghui Development Meat Products Division Factory (雙匯發展肉製品分廠); and as a general manager of the Ham Sausage Factory of Shuanghui Development (雙匯發展火腿腸分廠). He served as the general manager of Tangshan Shineway Food Co., Ltd. (唐山雙匯食品有限責任公司) from July 2008 to September 2008 and Jiangsu Huai'an Shuanghui Food Co., Ltd. (江蘇淮安雙匯食品有限責任公司) from October 2008 to May 2011. From June 2011 to August 2012, Mr. Zhang worked as the general manager of the business division of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary). Mr. Zhang served as the president of Shuanghui Development from August 2012 to August 2015, and as a director of Shuanghui Development from March 2014 to August 2015. Mr. Zhang graduated from Luoyang Agricultural College (洛陽農業高等專科學校) and obtained his associate degree of sanitary inspection of foodstuffs (食品衛生檢驗) in July 1995.

SULLIVAN Kenneth Marc

Executive Director; President and Chief Executive Officer of Smithfield

SULLIVAN Kenneth Marc, age 53, was appointed as an executive Director on January 22, 2016. He has served as president and chief executive officer of Smithfield (our indirect wholly owned subsidiary) since December 2015 and as a director of Smithfield since January 2016. He also holds directorships in various subsidiaries of the Group. He has served in various other positions with Smithfield since joining Smithfield in 2003, including vice president of internal audit from 2003 to 2007, vice president and chief accounting officer from 2007 to 2010, senior vice president of finance and chief accounting officer from 2012 to 2013, executive vice president and chief financial officer from October 2013 to October 2015 and President and chief operating officer from October 2015 to December 2015. Mr. Sullivan has expertise in corporate strategy and finance, capital markets, operations analysis and organizational leadership, and possesses in-depth knowledge of the Group's U.S. and international business segments. Prior to joining Smithfield, Mr. Sullivan spent 12 years at various large accounting and consulting firms.

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

YOU Mu (游牧)

Executive Director; President of Shuanghui Development

YOU Mu (游牧), age 49, was appointed as an executive Director on January 22, 2016. He has served in various positions within the Group. He has served as director and president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 2015. He also holds directorships in various subsidiaries of the Group. Previously, he served as vice president and general manager of the meat products division of Shuanghui Development from November 2014 to August 2015. He also served as the general manager of Shuanghui Group from July 2007 to November 2014 and has been appointed as a director of Shuanghui Group since January 2014. In addition, Mr. You served as the manager of the Hangzhou branch of Shuanghui Group Sales Company (雙匯集團銷售公司) from March 2002 to February 2003, the head of sales department of Shuanghui Group Sales Company from February 2003 to June 2004, the general manager from June 2004 to October 2004, the general manager of the meat products division from October 2004 to July 2007 and the director of Shuanghui Development from November 2007 to August 2012.

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

HUANG Ming (黃明)

Independent Non-executive Director

HUANG Ming (黃明), age 53, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Huang served as an assistant professor of finance at the Graduate School of Business, University of Chicago from April 1996 to June 1998; as an assistant professor of finance from July 1998 to August 2001 and as an associate professor from September 2001 to June 2005 at the Graduate School of Business, Stanford University; and as an associate dean and professor of finance from July 2004 to June 2005 and a professor of finance from July 2008 to June 2010 at the Cheung Kong Graduate School of Business (長江商學院). Mr. Huang was also appointed as the Dean of School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to April 2009. He has been a professor of finance with tenure at Cornell University since July 2005, and has been a chair professor of finance at China Europe International Business School (中歐國際工商學院) since July 2010.

Mr. Huang has served as an independent non-executive director of Yingli Green Energy Holding Company Limited (a company listed on New York Stock Exchange with stock code YGE) since August 2008, Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) since October 2009 and China Medical System Holdings Limited (a company listed on the Stock Exchange with stock code 00867) since October 2013. In addition, he has served as an independent director of JD.com, Inc. (a company listed on the US NASDAQ Stock Exchange with stock code NASDAQ: JD) since March 2014. Mr. Huang served as a non-executive director of Tebon Securities Co., Ltd. (德邦證券股份有限公司) from June 2011 to July 2014 and of Qihoo 360 Technology Co. Ltd. (a company listed on New York Stock Exchange with stock code QIHU and delisted with effect from July 18, 2016) from March 2011 to July 2016.

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

LEE Conway Kong Wai (李港衛)

Independent Non-executive Director

LEE Conway Kong Wai (李港衛), age 62, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. In addition, Mr. Lee has extensive experience as an independent non-executive director of listed companies and currently serves as an independent non-executive director in the following companies listed on the Main Board of the Stock Exchange: Chaowei Power Holdings Limited (with stock code 00951) since July 2010, West China Cement Limited (with stock code 02233) since July 2010, China Modern Dairy Holdings Ltd. (with stock code 01117) since December 2010, Gome Electrical Appliances Holding Limited (with stock code 00493) since March 2011, Tibet 5100 Water Resources Holdings Ltd. (with stock code 01115) since March 2011, NVC Lighting Holding Limited (with stock code 02222) since November 2012, Yashili International Holdings Ltd. (with stock code 01230) since November 2013. Formerly, Mr. Lee also served as a non-executive director and the deputy chairman of Merry Garden Holdings Limited (a company listed on the Stock Exchange with stock code 01237) from July 2014 to September 2015, an independent non-executive director of China Taiping Insurance Holdings Company Limited (a company listed on the Stock Exchange with stock code 00966) from October 2009 to August 2013, of Sino Vanadium Inc. (a company listed on the Toronto Stock Exchange with stock code SVX) from October 2009 to December 2011, and of CITIC Securities Company Limited (with stock code 06030) from November 2011 to May 2016. Mr. Lee had been a partner of Ernst & Young (HK) from September 1980 to September 2009.

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

LAU, Jin Tin Don (劉展天)

Independent Non-executive Director

LAU, Jin Tin Don (劉展天), age 60, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Lau is currently an executive director and one of the responsible officers of Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code 01426). He will retire as the executive director, and cease to be a responsible officer, of Spring Asset Management Limited, with effect from May 31, 2017. Prior to joining Spring Asset Management Limited in 2013, he was the deputy group financial controller of Yuexiu Property Company Limited (a company listed on the Stock Exchange with stock code 00123). From 2005 to 2010, he was also the deputy chief executive officer, compliance manager and one of the responsible officers of Yuexiu REIT Asset Management Limited which is responsible for managing the assets of Yuexiu Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code of 00405).

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

Senior Management

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

WAN Hongjian (萬洪建)

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

QIAO Haili (喬海莉)

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

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

MA Xiangjie (馬相傑)

MA Xiangjie (馬相傑), age 45, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) and as the general manager of its fresh food division since August 2012. He also holds directorships in various subsidiaries of the Group. Mr. Ma has over 20 years of work experience with the Group. Mr. Ma was the deputy director of the fresh meat products department of Shuanghui Development from September 2008 to August 2010. He also served as the general manager of the integrated business department of Shuanghui Group from September 2010 to April 2012.

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

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

WANG Yufen (王玉芬)

WANG Yufen (王玉芬), age 49, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), being in charge of technology research, since September 2012, and as the chief engineer of Shuanghui Development for over 17 years since March 1998. She also holds directorships in various subsidiaries of the Group. Ms. Wang has worked with the Group for over 25 years. Ms. Wang served in Henan Luohe Meat Products Processing United Factory Meat Product Branch (河南省漯河肉聯廠肉製品分廠) from October 1987 to August 1991 as a technician, from August 1991 to September 1992 as a director, and from September 1992 to March 1993 as the deputy head. She was the institute director of Henan Luohe Meat Products Processing United Factory Food Institute (河南省漯河肉聯廠食品研究所) from March 1993 to March 1998. Ms. Wang was a director of the technology center of Shuanghui Group from March 1998 to November 2001.

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

LIU Songtao (劉松濤)

LIU Songtao (劉松濤), age 40, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 2012 and is in charge of finance. He also holds directorships in various subsidiaries of the Group. Previously, Mr. Liu served as a director of the finance department of Shuanghui Group from May 2003 to August 2012, as a director of the finance department of Shuanghui Development Luohe Slaughter Factory (雙匯發展漯河屠宰分廠) from March 2003 to May 2003, and as a director of the finance department of Luohe Huayi Food Co., Ltd. (漯河華意食品有限公司) from March 2002 to March 2003. Mr. Liu was awarded the bachelor's degree of chrematistics by Henan University (河南大學) in July 2000.

THAMODARAN Dhamu R.

THAMODARAN Dhamu R., age 61, joined Smithfield in August 1995, and has served as Smithfield's executive vice president and chief commodity hedging officer since July 2011. Since February 2016, he has held an additional title of chief strategy officer of Smithfield. He is responsible for hedging and mitigating commodity volatilities in the business, and heads the group for research and analysis in global economy and commodities of Smithfield. In addition, he is responsible for developing strategies to optimize Smithfield's vertically integrated model. Dr. Thamodaran joined John Morrell & Co. in August 1990 as director of price risk management. He joined Smithfield as director of price risk management in August 1995, and was promoted to vice president of price risk management in May 1996 and to senior vice president and chief commodity hedging officer in June 2008. Prior to joining John Morrell & Co., he worked for five years at Farmland Industries.

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

NOWAKOWSKI Dariusz

NOWAKOWSKI Dariusz, age 63, serves as the president of Smithfield's Europe division and is responsible for all of Smithfield's wholly owned investments in Europe, which comprise the majority of the International Division. He also holds directorships in various subsidiaries of the Group. Mr. Nowakowski has been a president of Animex Sp. z o.o., our wholly owned subsidiary, since June 2006. He worked in Canada and U.S. for 25 years and prior to joining Smithfield group in 2006 he worked for major Canadian and U.S. food corporations, including ConAgra Foods and Maple Leaf Foods. Mr. Nowakowski received his master's of science degree in animal sciences from Krakow University of Agriculture in 1980 and his master's of science degree in food science from the University of Saskatchewan, Canada in 1986.

NUNZIATA Glenn

NUNZIATA Glenn, age 43, has served as Smithfield's chief financial officer since October 2015. As chief financial officer, Mr. Nunziata leads Smithfield's finance, accounting treasury, risk management, human resources and IT functions and serves as Smithfield's principal accounting officer. Prior to joining Smithfield, Mr. Nunziata served as a partner in assurance services at the multinational professional services firm of Ernst & Young LLP, having been with Ernst & Young for 19 years. He has extensive experience in finance, capital markets and operations analysis as well as in matters pertaining to internal controls and corporate governance.

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

CHAU Ho (周豪)

CHAU Ho (周豪), age 51, has served as our chief legal officer and as the company secretary since February 2014. He also holds directorships in various subsidiaries of the Group. Mr. Chau was an assistant to the chairman in China Rongsheng Heavy Industries Group Holdings Limited (now renamed China Huarong Energy Company Limited, listed on the Stock Exchange with stock code 01101) from April 2011 to January 2014 and as assistant to the chairman in Glorious Property Holdings Limited (listed on the Stock Exchange with stock code 00845) from March 2010 to March 2011. Mr. Chau has over 20 years of legal experience. He was an associate and subsequently a partner at the law firm Koo and Partners, which merged with the law firm Paul Hastings Janofsky & Walker (now renamed Paul Hastings), from October 1994 to February 2010. Mr. Chau received his bachelor of laws degree in November 1991 and the postgraduate certificate in laws in November 1992 from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong). In January 2003, he obtained his bachelor of laws degree from Tsinghua University. Mr. Chau has been qualified to practice as a solicitor in Hong Kong since August 1994 and has been a China-Appointed Attesting Officer since April 2006. He has also been qualified to practice as a solicitor in England and Wales since September 2008.

BUSINESS REVIEW

Industry Overview

China

China is the largest pork 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 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.

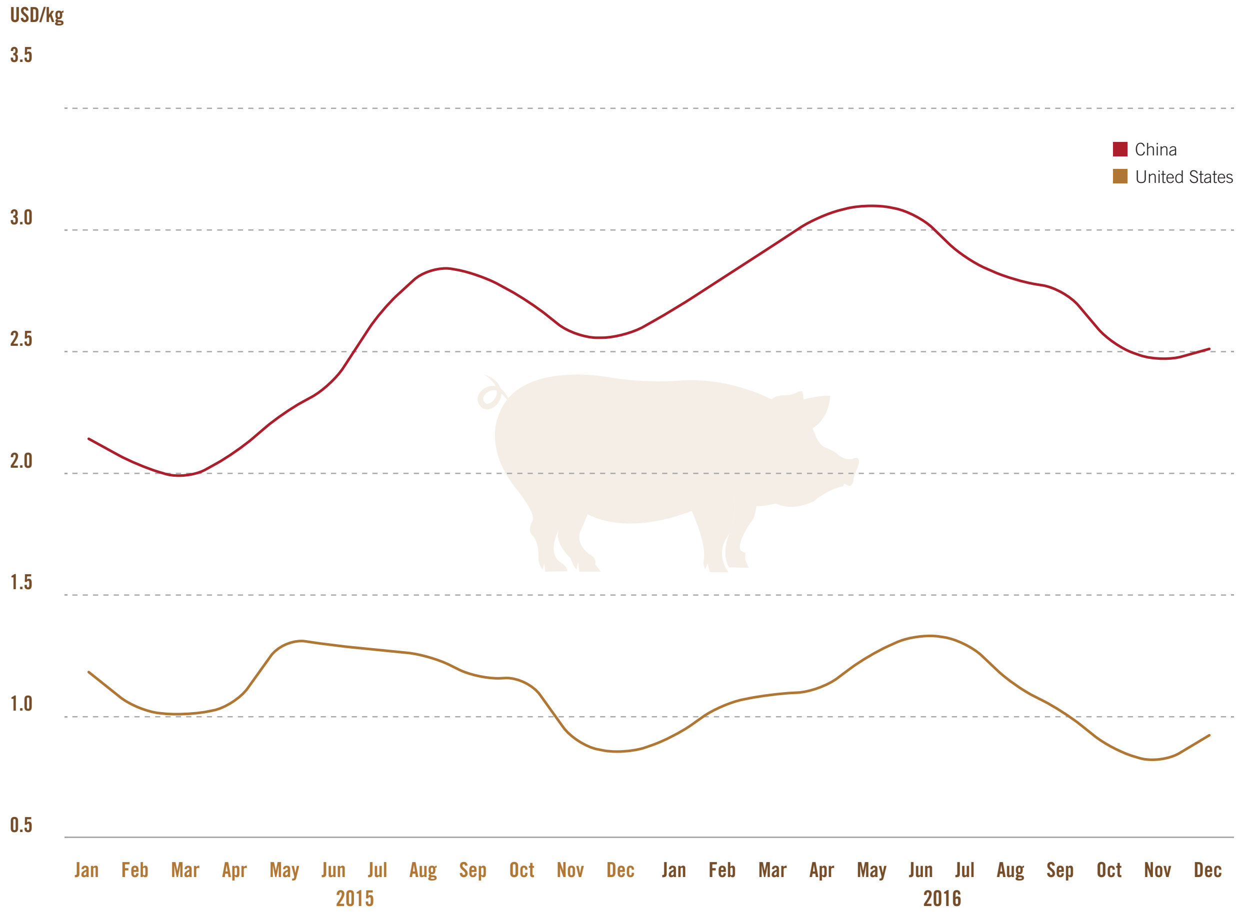
U.S. is the second largest producer of pork worldwide and the largest pork exporter globally. In contrast to the pork industry in China, the U.S. pork industry is relatively mature and concentrated.

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 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, the lower hog prices and relatively stable pork values during 2016 were favorable to the fresh pork players in the U.S.. 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



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

Results of Operations

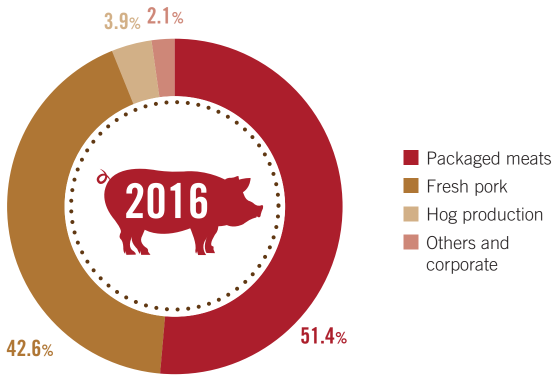
Our business primarily consists of three operating segments, namely packaged meats, fresh pork and hog production.

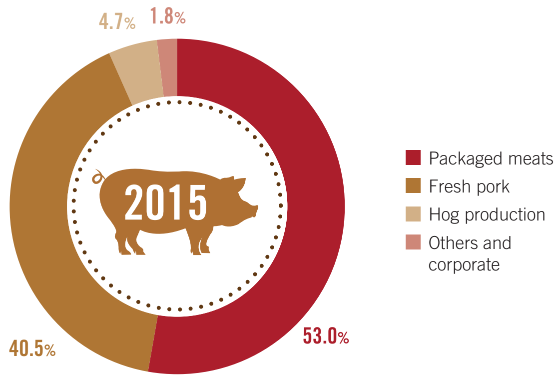
	2016 US$ million	2015 US$ million	Change %
Turnover[1]			
– Packaged meats	**11,074**	11,240	(1.5)
– Fresh pork	**9,178**	8,591	6.8
– Hog production	**844**	990	(14.7)
– Others[2]	**438**	388	12.9
	21,534	21,209	1.5
Operating profit			
– Packaged meats	**1,475**	1,499	(1.6)
– Fresh pork	**545**	226	141.2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

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

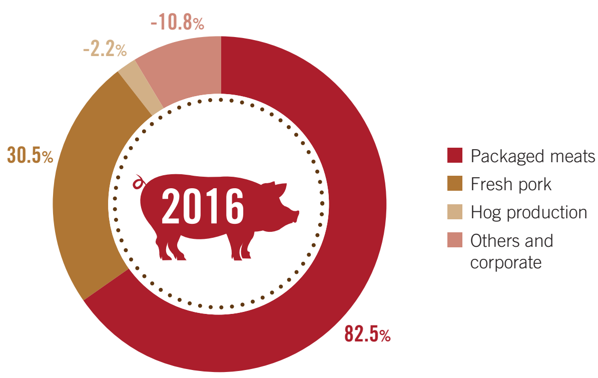
The packaged meats segment has always been our core business. It accounted for 51.4% of the Group's turnover in 2016 (2015: 53.0%). Its contribution to the Group's operating profit was even higher at 82.5% in 2016 (2015: 96.3%).

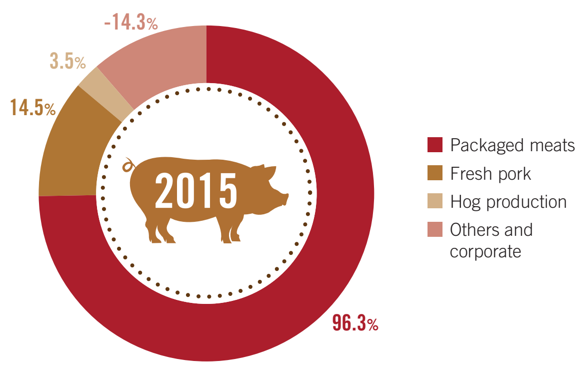
Turnover by Operating Segment





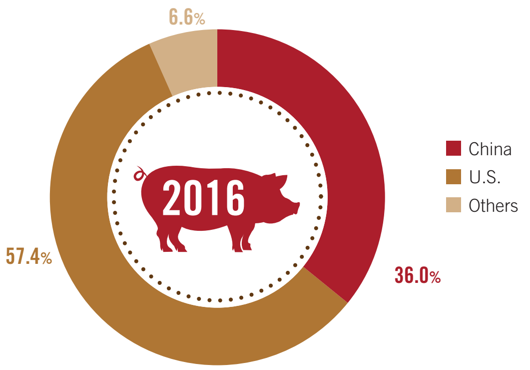
Operating Profit by Operating Segment

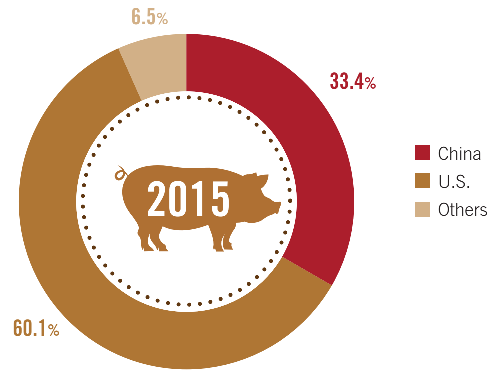




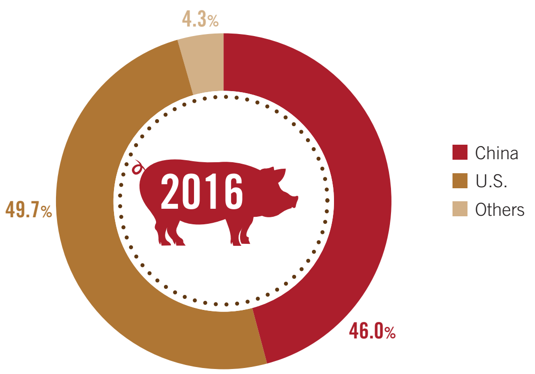
Geographically speaking, our operation in China contributed 36.0% and 46.0% of the turnover and operating profit of the Group in 2016, respectively (2015: 33.4% and 52.1%). Contribution of our operation in the U.S. to the turnover and operating profit of the Group in 2016 were 57.4% and 49.7%, respectively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

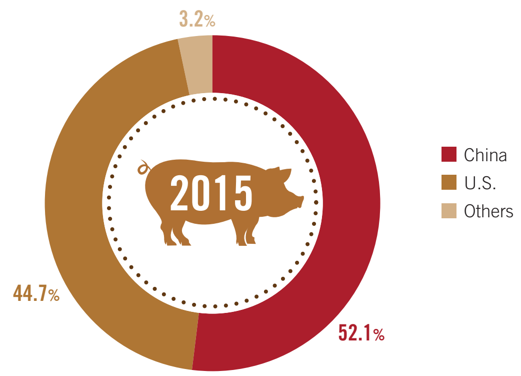
Turnover by Location





Operating Profit by Location





Packaged Meats

	2016 US$ million	2015 US$ million	Change %
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 strong 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 meats 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 US$ million	2015 US$ million	Change %
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 hog 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 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 US$ million	2015 US$ million	Change %
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 change 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.

Corporate Social Responsibility, Environmental Policies and Performance

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 (including environmental protection) issues of our key stakeholders, so as to guide our sustainability (including environmental protection) 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, which helped us to understand our area for improvement on environmental protection, implement green initiatives and comply with the relevant environmental requirements and standards.

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 (www.hkexnews.hk) and the Company (www.wh-group.com) no later than three months after the publication of the Company's annual report.

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 our resources to expand our global platform. As one of the world's largest protein companies, we are committed to providing consumers with safe and delightful products of high quality. We will also devote every effort to further strengthening our leading position in the industry.

FINANCIAL REVIEW

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.

Key Financial Performance Indicators

		2016	2015	Change
Turnover growth rate	%/pp	**1.5**	(4.6)	6.1
EBITDA margin(1)	%/pp	**10.4**	9.6	0.8
Operating profit margin	%/pp	**8.3**	7.3	1.0
– Packaged meats(2)	%/pp	**13.3**	13.3	–
– Fresh pork(2)	%/pp	**4.5**	2.0	2.5
– Hog production(2)	%/pp	**(1.2)**	1.5	(2.7)
Per unit operating profit/(loss)(3)				
– Packaged meats	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(4)	%/pp	**5.6**	5.1	0.5
Current ratio(5)	times	**1.5**	1.8	(0.3)
Cash conversion cycle	days	**31.6**	34.8	(3.2)
Debt to equity ratio(5)	%/pp	**40.9**	58.4	(17.5)
Debt to EBITDA ratio(5)	times	**1.3**	1.9	(0.6)
Return on total assets(6)	%/pp	**8.9**	6.9	2.0
Return on equity(7)	%/pp	**17.2**	14.4	2.8

Notes:

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

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

(3) Per unit operating profit for packaged meats represents the operating profit on each metric ton of packaged meats sold; per unit operating profit for fresh pork represents the operating profit on each hog processed; per unit operating profit for hog production represents the operating profit on each hog produced.

(4) Net profit margin represents profit for the year, before biological fair value adjustments, over turnover.

(5) Current ratio, debt to equity ratio and debt to EBITDA ratio, represents the respective positions as at each year end date.

(6) Return on total assets represents profit for the year divided by the average of the opening and closing balance of total assets.

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

Analysis of Capital Resources

Liquidity

The Group continues to maintain a 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 short term 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

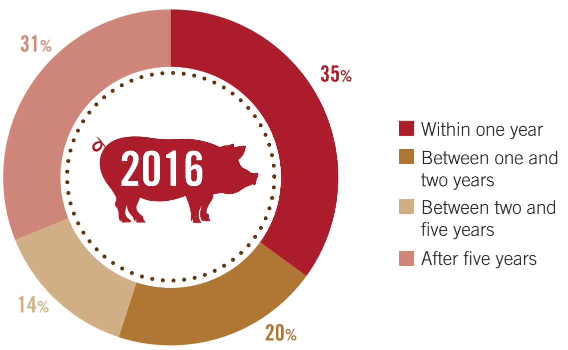
We had the following outstanding interest-bearing bank and other borrowings as of the dates indicated below:

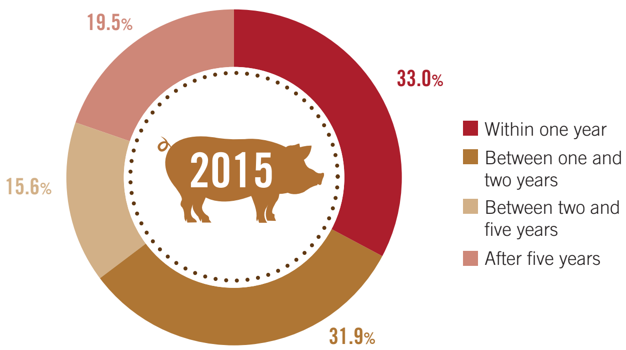
	As at December 31, 2016 US$ million	As at December 31, 2015 US$ million
Borrowings by nature		
Senior unsecured notes	**1,882**	2,142
Bank borrowings	**833**	1,603
Medium term notes	**144**	154
Loans from third parties	**3**	3
Bank overdrafts	**16**	12
	2,878	3,914
Borrowings by geographical region		
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%

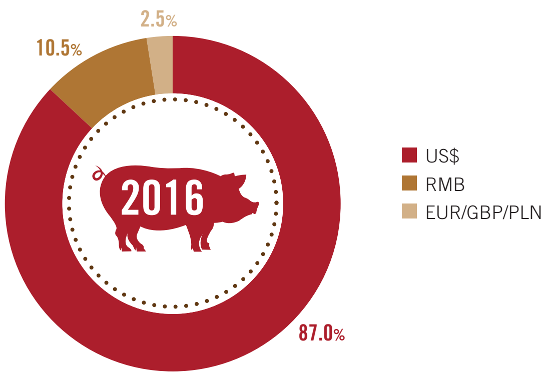
Borrowings by maturity

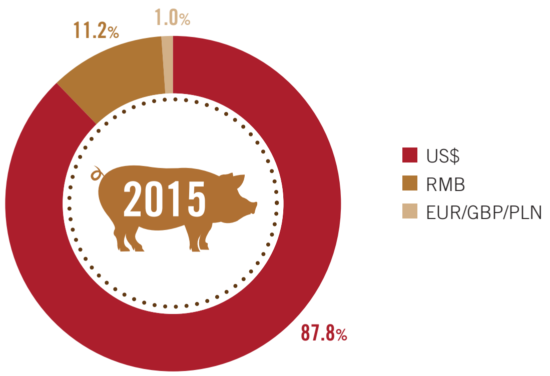




Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. A 87.0% majority of our borrowings is denominated in U.S. dollar as at December 31, 2016 (87.8% as at December 31, 2015).

Borrowings by currency



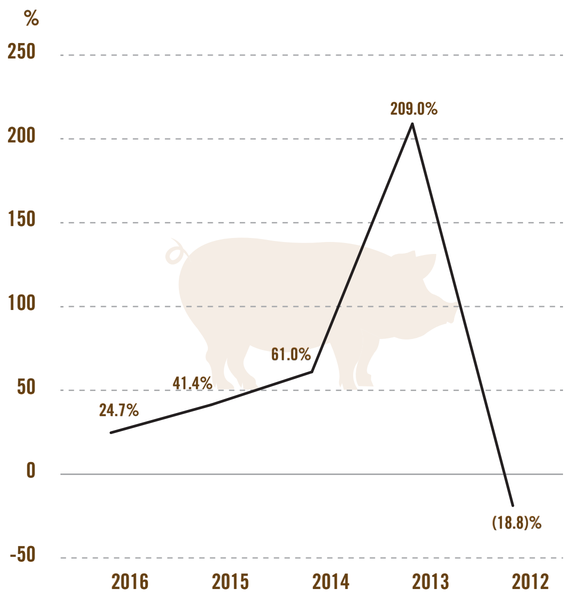


As at December 31, 2016, 96.8% of our borrowings were unsecured (2015: 98.5%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no material 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 overdrafts 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).

Net debt to equity (%) from 2012 to 2016



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 set out in note 48 to the consolidated financial statements.

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, Moody's and S&P, announced their respective first-time ratings assigned to the Group/Company. Our long-term foreign currency issuer default rating 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 long-term foreign currency issuer default rating 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.

* *For identification purposes only*

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 meats of 2.2 million metric tons in China and 1.7 million metric tons in U.S. and their respective utilisation 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.

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, including the Chief Executive Officer and other Directors, is appropriate and aligns with the goals, objectives and performance 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; and long term incentives such as share-based payment as well as retirement benefit schemes. Further information on the share-based payments of the Company is set out in note 38 to the consolidated financial statements. The Group also provides training programs for the employees with a view to constantly improving their skills and knowledge.

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 broilers 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 recognised 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.

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 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.

Contingent Liabilities

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

Key Risks and Their Management

Commodities Price Risk

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

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2016.

Commitment to Corporate Governance

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

Corporate Governance Practices

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

Directors' Securities Transactions

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

THE BOARD

Roles and Responsibilities

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

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

Board Composition

The Board members during the year ended 31 December 2016 and up to the date of this report are as follows:

Executive Directors:

Mr. WAN Long	*(Chairman, Chief Executive Officer and Chairman of the Nomination Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. GUO Lijun	*(Executive Vice President, Chief Financial Officer, Chairman of the Environmental, Social and Governance Committee and member of the Risk Management Committee)*
Mr. ZHANG Taixi	*(General Manager of Shuanghui Group, and member of the Environmental, Social and Governance Committee and the Food Safety Committee)*
Mr. SULLIVAN Kenneth Marc	*(President and Chief Executive Officer of Smithfield, and member of the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. YOU Mu	*(President of Shuanghui Development and member of the Risk Management Committee)*

Non-executive Director:

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

Independent non-executive Directors:

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

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

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

(i) Chairman and chief executive officer

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

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

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

The Company has received annual confirmations from each of the three independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

Appointment, re-election and removal of Directors

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

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

Meetings

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

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

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

	Number of meetings attend/held								
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Environmental, Social and Governance Committee Meeting	Food Safety Committee Meeting	Risk Management Committee Meeting	Annual General Meeting	Extraordinary General Meeting
WAN Long	4/4	N/A	N/A	1/1	N/A	2/2	0/0	1/1	N/A
GUO Lijun	4/4	N/A	N/A	N/A	2/2	N/A	0/0	1/1	N/A
ZHANG Taixi	4/4	N/A	N/A	N/A	2/2	2/2	N/A	0/1	N/A
SULLIVAN Kenneth Marc	4/4	N/A	N/A	N/A	2/2	2/2	0/0	0/1	N/A
YOU Mu	4/4	N/A	N/A	N/A	N/A	N/A	0/0	0/1	N/A
JIAO Shuge	3/4	N/A	1/1	N/A	N/A	N/A	N/A	0/1	N/A
HUANG Ming	4/4	3/3	1/1	1/1	N/A	N/A	N/A	0/1	N/A
LEE Conway Kong Wai	4/4	3/3	1/1	N/A	N/A	2/2	0/0	1/1	N/A
LAU, Jin Tin Don	4/4	3/3	N/A	1/1	2/2	N/A	N/A	1/1	N/A

Training for Directors

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

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

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

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

	CPD Training
Name of Director	**Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates**
Executive Director and Chief Executive Officer	
Mr. WAN Long	✓
Executive Directors	
Mr. GUO Lijun	✓
Mr. ZHANG Taixi	✓
Mr. SULLIVAN Kenneth Marc	✓
Mr. YOU Mu	✓
Non-executive Director	
Mr. JIAO Shuge	✓
Independent non-executive Directors	
Mr. HUANG Ming	✓
Mr. LEE Conway Kong Wai	✓
Mr. LAU, Jin Tin Don	✓

Directors' and officers' liability insurance and indemnity

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

Board Committees

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

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

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

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

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

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

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

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

Audit Committee

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

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

Remuneration Committee

Throughout the Review Period, the Remuneration Committee comprised three members, being two independent non-executive Directors, namely Mr. HUANG Ming (the chairman of the committee) and Mr. LEE Conway Kong Wai, and one non-executive Director, namely Mr. JIAO Shuge. The Remuneration Committee held one meeting during the Review Period to review the remuneration packages and overall benefits for the Directors and senior management of the Company.

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

The remuneration of Directors is also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Details of emoluments of Directors for the Review Period are set out in Note 11 to the consolidated financial statements. The emoluments paid or payable to senior management during the Review Period were within the following bands:

	Number of Senior Management
HK$5,500,001 to HK$6,000,000	1
HK$6,500,001 to HK$7,000,000	1
HK$7,500,001 to HK$8,000,000	1
HK$8,000,001 to HK$8,500,000	1
HK$8,500,001 to HK$9,000,000	1
HK$9,500,001 to HK$10,000,000	1
HK$35,000,001 to HK$40,000,000	1
HK$45,000,001 to HK$50,000,000	1
HK$90,000,001 to HK$95,000,000	1

Nomination Committee

Throughout the Review Period, the Nomination Committee comprised three members, being an executive Director, Mr. WAN Long, and two independent non-executive Directors, namely Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. WAN Long is the chairman of the committee. The Nomination Committee held one meeting during the Review Period to review the Board's composition, nominated Board candidates for re-election by Shareholders at the 2017 AGM and the independence of the three independent non-executive Directors.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, size, composition and diversity of the Board, to oversee the identification and assessment of potential board candidates, to provide oversight and direction in respect of the succession planning for directors and to determine the composition of Board Committees. The Company has followed the board diversity policy adopted by the Board on July 17, 2014 which is available on the Company's website. Under the board diversity policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee (the "**ESG Committee**") comprised Mr. GUO Lijun (the chairman of the committee), Mr. ZHANG Taixi and Mr. LAU, Jin Tin Don. On January 22, 2016, Mr. SULLIVAN Kenneth Marc was appointed as an executive Director and also a member of the ESG Committee. The ESG Committee held two meetings during the Review Period to review the environmental, social and governance matters which are relevant and material to the operations of the Group.

The primary duties of the ESG Committee include, but are not limited to, the following:

(i) identifying the environmental, social and governance matters that are relevant and material to the operations of our Group and/or that affect shareholders and other key stakeholders (the "**Key ESG Matters**"), which shall include workplace quality, environmental protection, operating practices, community involvement and animal welfare;

(ii) reviewing and making recommendations to the Board on the effectiveness of the Key ESG Matters;

(iii) monitoring the standards set and performance achieved on the Key ESG Matters by our Group; and

(iv) identifying and engaging stakeholders to understand and responding to their views by appropriate means.

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

Food Safety Committee

The Food Safety Committee comprised Mr. WAN Long (the chairman of the committee), Mr. ZHANG Taixi and Mr. LEE Conway Kong Wai. On January 22, 2016, Mr. SULLIVAN Kenneth Marc was appointed as an executive Director and also a member of the Food Safety Committee. The Food Safety Committee held two meetings to consider the effective control over food quality and safety matters during the Review Period.

The primary duties of the Food Safety Committee include, but are not limited to, the following:

(i) making recommendations to the Board on our policies, practices and performance in relation to food quality and safety to comply with the relevant laws and regulations; and

(ii) assessing, reviewing, monitoring and making recommendations to the Board on the food safety internal control standards and our Group's products traceability capabilities.

Risk Management Committee

The Risk Management Committee was established on 2 December, 2016 and comprised five members, being four executive directors, namely Mr. WAN Long (the chairman of the committee), Mr. GUO Lijun, Mr. SULLIVAN Kenneth Marc and Mr. YOU Mu, and one independent non-executive Director, namely Mr. LEE Conway Kong Wai. The Risk Management Committee did not hold any meeting during the Review Period.

The primary duties of the Risk Management Committee include, but are not limited to, the following:

(i) establishing and overseeing the risk management system, through which the Risk Management Committee considers and formulates risk management framework and to provide guidelines to the management on risk management by setting up procedures to identify, assess and manage material risks faced by our Group, including but not limited to strategic, financial, operational, legal and regulatory risks;

(ii) reviewing and assessing regularly the adequacy and effectiveness of our Group's risk management framework, internal control systems relating to risk management and risk management policies and procedures in order to identify, assess and manage risks, as well as to oversee and ensure their effective operation, implementation and maintenance;

(iii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

(iv) reporting any significant risk management issues to the Board and make recommendations and solutions on improvement of the Company's compliance and risk management.

Company Secretary

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

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

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

Accountability and Audit

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

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended December 31, 2016 is set out in the Independent Auditor's Report on pages 61 to 65 of this report.

Risk Management and Internal Control

The Board of Directors has the ultimate responsibility for oversight of the risk management and internal control systems of the Group. The Board has delegated oversight to the Risk Management Committee and Audit Committee to oversee the Group's risk management and internal control systems respectively on an ongoing basis, and conduct reviews of the effectiveness of the Group's risk management and internal control systems. The aforementioned systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The Group's risk management department reviewed the effectiveness of risk management process and risk management report submitted by management. Key risks and mitigation measures were reported to the Risk Management Committee, in which it oversaw the development and implementation of the Group's risk management system.

The internal controls of the Group are designed to assist the Group in protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls and risk management functions. The Group's risk management department carried out risk-based audits and reported key findings and management action plans to the Audit Committee, in which it would review the Group's risk management and internal control system and reported twice a year to the Board. Since the Risk Management Committee was only established on 2 December, 2016, such review had not been conducted during the Review Period.

The Board considered the Group's risk management and internal control systems are effective and adequate.

Independent Auditor

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

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

Auditors' Remuneration

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

Services rendered	**Fees paid/payable** (US$ million)
Audit services	4
Non-audit services (Note)	2

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

Shareholders' Rights and Communication

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

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

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

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

Investors Relations

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

Constitutional Documents

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

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended December 31, 2016.

Principal Activities and Analysis of Operations

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

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are set out in the sections headed "Business Review" and "Financial Review" of this report.

Business Review

A business review of the Group is set out on pages 18 to 27 of this report.

Results

Results of the Group for the year ended December 31, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 66 to 67.

Dividends

The Board has proposed to recommend the payment of a final dividend of HK$0.21 per Share (2015: HK$0.125 per Share) in cash to the Shareholders for the year ended December 31, 2016. 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), representing a total payment of approximately HK$3,809 million, or an equivalent to US$491 million (2015: approximately HK$1,831 million, or an equivalent to US$236 million). The final dividend is subject to approval of the Shareholders at the forthcoming AGM to be held on May 23, 2017 (the "**2017 AGM**").

Upon the Shareholders' approval being obtained at the 2017 AGM, the final dividend will be payable on or around June 19, 2017 to the Shareholders whose names appear on the register of members of the Company on May 29, 2017.

Book Closure of Register of Members

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from May 31, 2017 to June 2, 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 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 Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, May 29, 2017.

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the Review Period are set out on pages 70 and 71 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2016 amounted to US$3,655 million.

Donations

Charitable donations made by the Group during the Review Period amounted to US$1 million (2015: less than US$1 million).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the Review Period and as at December 31, 2016 are set out in Note 36 to the consolidated financial statements.

Borrowings and Capitalisation of Interests

Details of borrowings are set out in Note 32 to the consolidated financial statements. Details of the Group's capitalised interest expenses and other borrowing costs during the Review Period are set out in Note 9 to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

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

Relationship with Employees, Customers and Suppliers

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

Remuneration Policy and Retirement Benefits of the Group

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

The Group entities which operate in U.S. provide pension benefits for all their qualified employees, through defined benefit pension plans. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2016 by credentialed actuaries, Mercer (US), Inc., who meet the Qualification Standards of the American Academy of Actuaries. As of December 31, 2016, the fair value of plan assets was approximately 83.1% of our pension benefits obligations under such defined benefits plans. Given the foregoing, we have met or exceeded our funding requirements for our obligations under such defined benefits plans as required by the relevant U.S. regulations for the year ended December 31, 2016.

Please see Note 35 to the consolidated financial statements contained herein for further details relating to such defined benefits plans and the Group's other retirement benefits plans.

Basis of Determining Remuneration to Directors

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

Financial Review

The results highlights of the Group is set out on page 4 of this report, while a financial review of the Group is set out on pages 28 to 36 of this report.

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

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

Directors

Certain information on the members of the Board during the Review Period and up to the date of this report is set out on page 38 of this report:

In accordance with Article 16.18 of the Articles of Association, Mr. YOU Mu, Mr. HUANG Ming and Mr. LAU, Jin Tin Don shall retire by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

Brief biographical details of the Directors and senior management are set out on pages 9 to 17 of this report.

Directors' Service Contracts

None of the Directors who is proposed for re-election at the 2017 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract of Significance

No transaction, arrangement or contract of significance in which any Director or any entity connected with the Director is or was materially interested, either directly or indirectly, subsisted during the Review Period or at the end of the financial year.

Controlling Shareholders' Interests in Contract of Significance

No contract of significance between any members of the Group and any of the controlling shareholders of the Company, or any of their subsidiaries, subsisted during the Review Period.

Directors' Rights to Purchase Shares or Debentures

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

Disclosure of Interests

Directors

As at December 31, 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)	1,372,260,798(L)	9.37%
	Beneficiary of a trust(2)	852,513,841(L)	5.82%
	Personal interest	1,500,000(L)	0.01%
Mr. Guo Lijun	Beneficiary of a trust(3)	68,771,713(L)	0.47%
	Personal interest	100,000(L)	0.00%
Mr. Zhang Taixi	Beneficiary of a trust(4)	1,113,536(L)	0.01%
Mr. You Mu	Beneficiary of a trust(5)	11,378,803(L)	0.08%

Notes:

(1) Mr. Wan Long owned Sure Pass as to 100%, which in turn owned 573,099,645 Shares. Accordingly, Mr. Wan Long was deemed to be interested in the 573,099,645 Shares held by Sure Pass. Mr. Wan Long owned Xing Tong Limited as to 90%. Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned 15.15% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 799,161,153 Shares which Heroic Zone was interested in by virtue of his interest in Xing Tong Limited.

(2) Mr. Wan Long was one of the participants of the Heroic Zone Share Plan, through which he held approximately 16.16% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 852,513,841 Shares which Heroic Zone was interested in.

(3) Mr. Guo Lijun was one of the participants of the Heroic Zone Share Plan, through which he held approximately 1.30% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun was deemed to be interested in the 68,771,713 Shares which Heroic Zone was interested in.

(4) Mr. Zhang Taixi was one of the participants of the Heroic Zone Share Plan, through which he held 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 1,113,536 Shares which Heroic Zone was interested in.

(5) Mr. You Mu was one of the participants in the Heroic Zone Share Plan, through which he held approximately 0.22% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. You Mu was deemed to have interest in the 11,378,803 Shares which Heroic Zone was interested in.

(6) The letter (L) indicates long position.

(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[L]	0.96%
Mr. Guo Lijun	Beneficial interest	40,000,000[L]	0.26%
Mr. Zhang Taixi	Beneficial interest	40,000,000[L]	0.26%
Mr. Sullivan Kenneth Marc	Beneficial interest	12,000,000[L]	0.08%
Mr. You Mu	Beneficial interest	3,674,969[L]	0.02%

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

(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[L]	0.01%
Mr. Zhang Taixi	Shuanghai Development	Beneficial Interest	15,000[L]	0.00%
Mr. You Mu	Shuanghai Development	Interest of spouse[1]	15,000[L]	0.00%

Notes:
(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.
(2) The letter (L) indicates long position.

Save as disclosed above, as at December 31, 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 December 31, 2016, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interest were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interest in the Shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Rise Grand(1)	Interest in controlled corporation	5,274,991,111(L)	36.00%
He Xingbao(1)	Trustee	5,274,991,111(L)	36.00%
Zhang Liwen(1)	Trustee	5,274,991,111(L)	36.00%
Zhao Yinzhang(1)	Trustee	5,274,991,111(L)	36.00%
Heroic Zone(2)	Beneficial interest	3,473,820,000(L)	23.71%
	Interest in controlled corporation	1,801,171,111(L)	12.29%
Teeroy Limited	Trustee	982,457,333(L)	6.88%
China Shine Group Limited(3)	Interest in controlled corporation	952,014,658(L)	6.50%
CDH PE Fund, L.P.(4)	Interest in controlled corporation	952,014,658(L)	6.50%
CDH PE Holdings Company Limited(5)	Interest in controlled corporation	952,014,658(L)	6.50%
CDH China Growth Capital Holdings Company Limited(6)	Interest in controlled corporation	952,014,658(L)	6.50%
China Diamond Holdings III Limited(7)	Interest in controlled corporation	952,014,658(L)	6.50%
CDH V Holdings Company Limited(8)	Interest in controlled corporation	843,577,279(L)	5.76%
China Diamond Holdings V Limited(9)	Interest in controlled corporation	843,577,279(L)	5.76%
China Diamond Holdings Company Limited(10)	Interest in controlled corporation	1,795,591,937(L)	12.26%
Xing Tong Limited(11)	Beneficiary of a trust	799,161,153(L)	5.45%
Ms. Wang Meixiang (王梅香)(12)	Interest of spouse	2,372,473,528(L)	16.19%

Notes:

(1) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,274,991,111 Shares held by Heroic Zone. As of December 31, 2016, the beneficial interest of Rise Grand was owned by 289 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 HSP 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 was 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) China Shine Group Limited directly owned the entire interests in each of CDH Shine, CDH Shine III Limited and CDH Shine IV Limited and, through CDH Sunshine Limited, owned the entire interest in CDH Shine II Limited. Therefore, China Shine Group Limited was 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.

(4) China Shine Group Limited was wholly owned by CDH PE Fund, L.P. Therefore, CDH PE Fund, L.P. was 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) The general partner of CDH PE Fund, L.P. was CDH PE Holdings Company Limited. Therefore, CDH PE Holdings Company Limited was 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) CDH PE Holdings Company Limited was wholly owned by CDH China Growth Capital Holdings Company Limited. Therefore, CDH China Growth Capital Holdings Company Limited was 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) China Diamond Holdings III Limited directly owned approximately 69.5% of CDH China Growth Capital Holdings Company Limited. Therefore, China Diamond Holdings III Limited was 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) CDH Shine V Limited was owned as to 69.9% and 30.1% by CDH Fund V L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.) (天津鼎暉嘉鵬股權投資合夥企業(有限公司)) respectively. CDH V Sunshine I Limited and CDH V Sunshine II Limited were directly and 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. were CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively, CDH V Holdings Company Limited was the general partner of CDH Fund V L.P. and also owned the entire interests in CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited. Therefore, CDH V Holdings Company Limited was 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.

(9) CDH V Holdings Company Limited was owned as to 80% by China Diamond Holdings V Limited. Therefore, China Diamond Holdings V was 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) Each of China Diamond Holdings III Limited and China Diamond Holdings V Limited was wholly owned by China Diamond Holdings Company Limited. Therefore, China Diamond Holdings Company Limited was deemed to be interested in all the Shares held by the CDH Shareholders.

(11) Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned 15.15% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong Limited was deemed to be interested in the 799,161,153 Shares which Heroic Zone was interested in.

(12) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 2,372,473,528 Shares which Mr. Wan Long was interested in.

(13) The letter (L) indicates long position.

Save as disclosed above, as at December 31, 2016, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Pre-IPO Share Option Scheme

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

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

Number of Share Options

Grantee	Date of Grant	Number of Pre-IPO Share Options As at January 1, 2016	Exercised	Cancelled	Lapsed	As at December 31, 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
Connected persons								
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	918,500	–	–	2,756,469	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	–	2,204,983	734,993	–	6.20	Note
CHAI Wenlei (柴文磊)	July 10, 2014	1,469,988	–	–	–	1,469,988	6.20	Note
MA Xiangjie (馬相杰)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
QIAO Haili (喬海莉)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
WANG Yufen (王玉芬)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
LIU Songtao (劉松濤)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
COLE, Michael H.	July 10, 2014	2,000,000	–	–	–	2,000,000	6.20	Note

Grantee	Date of Grant	Number of Pre-IPO Share Options: As at January 1, 2016	Exercised	Cancelled	Lapsed	As at December 31, 2016	Exercise Price (HK$)	Exercise Period
Connected persons (Continued)								
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
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								
POPE C. Larry	July 10, 2014	40,000,000	10,000	–	–	39,990,000	6.20	Note
WEN Guoshan (温國山)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
LI Hongwei (李紅偉)	July 10, 2014	5,879,951	1,469,500	–	–	4,410,451	6.20	Note
WANG Yonglin (王永林)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
FU Zhiyong (付志勇)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
GUO Xinwen (郭新聞)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
LIU Qingde (劉清德)	July 10, 2014	5,144,957	–	–	–	5,144,957	6.20	Note
Senior management and other employees (in aggregate)	July 10, 2014	126,539,455	250,000	4,423,366	4,805,386	117,060,703	6.20	Note
Total		564,449,756	2,648,000	6,628,349	5,540,379	549,633,028		

Notes:
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.

Pre-Emptive Rights

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

Tax Relief

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

Competing Interests

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

Corporate Governance Measures in Relation to Non-Competition Undertakings

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

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

Management Contracts

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

Major Suppliers and Customers

The purchases and turnover attributable to the Group's five largest suppliers and five largest customers combined, respectively, was each less than 30% for the year ended December 31, 2016.

None of the Directors, their close associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the five largest customers or suppliers of the Group.

Corporate Governance Practices

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

Sufficient Public Float

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

Connected Transactions

During the Review Period, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules. The related party transactions disclosed under Note 44 to the consolidated financial statements do not constitute connected transactions of the Company.

Events After the End of the Reporting Period

Details of significant events occurring after the end of the reporting period are set out in Note 48 to the consolidated financial statements.

Future Development

Please refer to page 27 and the section headed "Chairman's Statement" of this report for the prospects of the Company's business.

Auditors

The consolidated financial statements for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board
Wan Long
Chairman of the Board and Chief Executive Officer

Hong Kong, March 22, 2017

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of WH Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 66 to 170, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of live hogs included in biological assets	
We identified the fair value measurement of live hogs included in biological assets as a key audit matter because of the significant degree of judgement involved in the valuation to determine the fair value less costs to sell of live hogs. As set out in note 4 to the consolidated financial statements, the Group engaged an independent qualified valuer to perform the live hog valuations, the fair value less costs to sell are determined based on the price of hogs in the actively traded market, subtracting the breeding costs required to raise the hogs to be slaughtered and the estimated margins that would be required by a raiser and less costs to sell with reference to the latest budgets approved by the management. As set out in note 18 to the consolidated financial statements, the carrying amount of the Group's live hogs as at December 31, 2016 amounted to US$927 million.	Our procedures in relation to assessing the fair value measurement of live hogs included in biological assets included: • Understanding how the management determines the fair value measurement of live hogs included in biological assets, including the involvement of the independent valuer; • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the appropriateness of the valuation model prepared by the independent valuer in determining the fair value less costs to sell of live hogs; • Evaluating the reasonableness of the market price of hogs, by tracing the market price of hogs to the available market data, on a sample basis; • Evaluating the reasonableness of estimates of breeding costs required to raise the live hogs to be slaughtered and estimated margins that would be required by a raiser and costs to sell with reference to the historical performance and latest budgets approved by the management; and • Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of obligation in respect of defined benefit plans	
We identified the valuation of obligation in respect of defined benefit plans as a key audit matter because of the significant management judgement and actuarial expert involved in valuation. As set out in notes 4 and 35 to the consolidated financial statements, in determining the obligation in respect of defined benefit plans, the Group engaged an actuarial expert to perform the actuarial valuation of plan assets and the present value of the defined benefit obligations, and the key assumptions used including discount rates, expected return on plan assets, expected salary increases and mortality rates. As set out in note 35 to the consolidated financial statements, the Group's obligation in respect of net pension liability as at December 31, 2016 amounted to US$331 million.	Our procedures in relation to the assessing the valuation of obligation in respect of defined benefit plans included: • Understanding the management valuation process, including the involvement of actuarial expert in performing the actuarial valuation of plan assets and the present value of the defined benefit obligations; • Evaluating the competence, capabilities and objectivity of the actuarial expert; • Evaluating the appropriateness of the valuation method and key assumptions used to determine the valuation of obligation in respect of defined benefit plans; • Working with our valuation expert to evaluate the reasonableness of the discount rate used by the management; • Evaluating the reasonableness of the expected return on plan assets by checking with historical performance on plan assets and available market and economic data; • Evaluating the reasonableness of the expected salary by comparing long-term inflation with the salary scale projected by management; • Evaluating the reasonableness of mortality rates, by comparing against externally derived data; and • Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ms. Faith Corazon Del Rosario.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 22, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	Note	2016			2015		
		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	5	**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	6	**107**	**–**	**107**	96	–	96
Other gains and losses	7	**(40)**	**–**	**(40)**	1	–	1
Other expenses	8	**(49)**	**–**	**(49)**	(84)	–	(84)
Finance costs	9	**(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	10	**1,678**	**25**	**1,703**	1,429	(127)	1,302
Taxation	12	**(462)**	**(3)**	**(465)**	(354)	47	(307)
Profit for the year		**1,216**	**22**	**1,238**	1,075	(80)	995
Other comprehensive expense for the year:	47						
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)

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

For the year ended December 31, 2016

	Note	2016			2015		
		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
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	15						
– 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	16	**4,529**	4,674
Prepaid lease payments	17	**195**	215
Biological assets	18	**186**	200
Goodwill	19	**1,784**	1,801
Intangible assets	20	**1,681**	1,715
Interests in associates	21	**62**	63
Interests in joint ventures	22	**119**	122
Other receivables	25	**47**	45
Available-for-sale investments	26	**5**	–
Pledged bank deposits	28	**8**	9
Deferred tax assets	33	**28**	146
Other non-current assets		**124**	98
		8,768	9,088
Current assets			
Biological assets	18	**933**	865
Inventories	23	**1,678**	1,748
Trade and bills receivables	24	**793**	725
Prepayments, deposits and other receivables	25	**208**	231
Prepaid lease payments	17	**5**	5
Taxation recoverable		**16**	88
Available-for-sale investments	26	**–**	397
Derivatives financial assets	27	**20**	–
Pledged/restricted bank deposits	28	**51**	17
Bank balances and cash	28	**1,139**	1,137
		4,843	5,213
Current liabilities			
Trade and bills payables	29	**854**	812
Accrued expenses and other payables	30	**1,411**	1,371
Taxation payable		**36**	44
Derivatives financial liabilities	27	**11**	26
Borrowings	32	**995**	594
Bank overdrafts	32	**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	32	**1,867**	3,308
Other payables	30	**162**	149
Obligations under finance leases	31	**23**	23
Deferred tax liabilities	33	**887**	810
Deferred revenue	34	**8**	9
Pension liability and other retirement benefits	35	**303**	440
		3,250	4,739
Net assets		**7,038**	6,703
Capital and reserves			
Share capital	36	**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

The consolidated financial statements on pages 66 to 170 were approved and authorised for issue by the Board of Directors on March 22, 2017 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 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$'million (Note 47)	Statutory reserve US$'million (Note (b))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total US$'million
At January 1, 2015	1	2,902	(55)	51	649	200	1,382	5,130	920	6,050
Profit for the year	–	–	–	–	–	–	786	786	209	995
Exchange differences arising on translation of foreign operations	–	–	–	(205)	–	–	–	(205)	(40)	(245)
Reclassification adjustment on translation reserve released on disposal of interest in an associate, net of deferred tax	–	–	–	36	–	–	–	36	–	36
Remeasurement on defined benefit pension plans	–	–	–	–	(12)	–	–	(12)	–	(12)
Fair value change in cash flow hedge	–	–	–	–	(47)	–	–	(47)	–	(47)
Total comprehensive income for the year	–	–	–	(169)	(59)	–	786	558	169	727
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(162)	(162)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	5	5
Share-based payments	–	–	–	–	75	–	–	75	8	83
Transfers	–	–	–	–	–	29	(29)	–	–	–
	–	–	–	–	75	29	(29)	75	(149)	(74)
At December 31, 2015	1	2,902	(55)	(118)	665	229	2,139	5,763	940	6,703
Profit for the year	–	–	–	–	–	–	1,036	1,036	202	1,238
Exchange differences arising on translation of foreign operations	–	–	–	(196)	–	–	–	(196)	(55)	(251)
Remeasurement on defined benefit pension plans	–	–	–	–	(31)	–	–	(31)	–	(31)
Fair value change in cash flow hedge	–	–	–	–	18	–	–	18	–	18
Total comprehensive income for the year	–	–	–	(196)	(13)	–	1,036	827	147	974
Acquisition of additional interests in subsidiaries (Note 39)	–	–	(10)	–	–	–	–	(10)	(23)	(33)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(347)	(347)
Dividends (Note 13)	–	–	–	–	22	–	(330)	(308)	–	(308)
Share-based payments	–	–	–	–	42	–	–	42	5	47
Issue of shares upon exercise of share options	–+	3	–	–	(1)	–	–	2	–	2
Transfers	–	–	–	–	–	9	(9)	–	–	–
	–+	3	(10)	–	63	9	(339)	(274)	(365)	(639)
At December 31, 2016	1	2,905	(65)	(314)	715	238	2,836	6,316	722	7,038

+ Less than US$1 million.

Notes:

a. Capital reserve

Capital reserves 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. Statutory reserve

Pursuant to the relevant regulations in Mainland China 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 up previous year's losses or to increase the relevant company's capital. Upon approval by a resolution of shareholders' general meeting, each of the relevant companies may convert its statutory surplus reserve into capital, provided the balance of the reserve after such issue is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Note	2016 US$'million	2015 US$'million
Operating activities			
Profit before taxation		**1,703**	1,302
Adjustments for:			
Interest income		**(10)**	(12)
Finance costs		**183**	219
Share of (profits) losses of associates		**(8)**	1
Share of profits of joint ventures		**(25)**	(15)
Depreciation of property, plant and equipment		**363**	384
Loss on disposal of property, plant and equipment		**16**	10
Amortisation of intangible assets		**9**	7
Gain on disposal of an associate		**–**	(1)
Gain on maturity of available-for-sale investments		**(14)**	(28)
Release of prepaid lease payments		**5**	5
Write-down of inventories		**24**	16
Loss arising from changes in fair value less costs to sell of biological assets		**10**	35
Impairment loss on property, plant and equipment		**47**	4
Allowances on trade receivables		**1**	–+
Share-based payments		**47**	83
Operating cash flows before movements in working capital		**2,351**	2,010
(Increase) decrease in biological assets		**(79)**	114
Decrease in inventories		**9**	105
(Increase) decrease in trade, bills and other receivables		**(84)**	117
Increase (decrease) in trade, bills and other payables		**9**	(145)
Cash from operations		**2,206**	2,201
Taxation paid		**(171)**	(373)
Interest paid		**(185)**	(215)
Net cash from operating activities		**1,850**	1,613
Investing activities			
Purchase of available-for-sale investments		**(1,348)**	(2,542)
Purchase of property, plant and equipment		**(514)**	(735)
Placement of pledged/restricted bank deposits		**(69)**	(33)
Proceeds from disposal of available-for-sale investments		**1,730**	2,376
Withdrawal of pledged bank deposits		**33**	36
Proceeds from disposal of property, plant and equipment		**8**	9
Interest received		**6**	7
Dividends received from associates		**6**	1
Dividends received from joint ventures		**5**	15
Refund of investment cost in an associate		**2**	–
Net proceeds from disposal of an associate	14	**–**	354
Prepaid lease payments made		**–**	(2)
Net cash used in investing activities		**(141)**	(514)

+ Less than US$1 million.

	2016 US$'million	2015 US$'million
Financing activities		
Proceeds from borrowings, net of transaction costs	**3,024**	2,347
Proceeds from issue of shares	**2**	–
Repayment of borrowings	**(4,028)**	(3,091)
Dividends paid to non-controlling interests	**(330)**	(162)
Dividends paid	**(308)**	–
Acquisition of additional interests in subsidiaries	**(33)**	–
Capital contributed by non-controlling interests	**–**	5
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 principal activities of its principal subsidiaries are set out in note 49.

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")

Amendments to IFRSs that are mandatorily effective for the current 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 reordered to note 37 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.

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

Annual Improvements to IFRSs 2012–2014 Cycle

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

The directors of the Company anticipate that the application of the amendments to IAS 19 may not have a material impact on the financial performance or financial position of the Group.

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

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

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.

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

IFRS 9 Financial Instruments (Continued)

- 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, the directors of the Company consider that 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. 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.

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

IFRS 15 Revenue from Contracts with Customers (Continued)

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 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

3. Significant Accounting Policies

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

3. Significant Accounting Policies (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGU), that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

3. Significant Accounting Policies (Continued)

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

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

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

3. Significant Accounting Policies (Continued)

Investments in associates and joint ventures (Continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

3. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for operating leases is described in the accounting policy below.

Leases

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

The Group as lessor

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

The Group as lessee

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

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

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

3. Significant Accounting Policies (Continued)

Biological assets

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – Research and development expenditure

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

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

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

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

3. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible asset that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

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

Inventories

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. Significant Accounting Policies (Continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group's unlisted equity securities are classified as AFS financial assets.

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset, such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at amortised cost

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

Effective interest method

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derivative financial instruments

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

Hedge accounting

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

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

Fair value hedges

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

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in other reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains or losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Provisions

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

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

Share-based payments arrangements

Awarded shares/share options granted to employees

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

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

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

3. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Foreign currencies

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

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

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

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

Government grants

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

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

3. Significant Accounting Policies (Continued)

Government grants (Continued)

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

Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period.

Defined benefit costs are categorised as follows:

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

The Group presents the first two components of defined benefit costs in profit or loss as employee benefits expense. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

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

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

4. Key Sources of Estimation Uncertainty

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

Fair value measurement of live hogs included in biological assets

The Group engaged an independent qualified valuer to perform the live hog valuations at the end of each reporting period, the fair values less costs to sell are determined based on the price of hogs in the actively traded market, subtracting the breeding costs required to raise the hogs to be slaughtered and the margins that would be required by a raiser and less costs to sell, with reference to the latest budgets approved by the management. This determination involved the use of significant judgement. If the actual results differ with the original estimates made by the management, such differences from the original estimates will impact the fair value change recognised in profit or loss in the reporting period. The carrying amount of live hogs is US$927 million as at December 31, 2016 (2015: US$861 million) (see note 18).

Goodwill

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

The carrying amount of goodwill is US$1,784 million as at December 31, 2016 (2015: US$1,801 million). Details of the recoverable amount calculation are disclosed in note 19.

Intangible assets

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

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

The carrying amount of intangible assets is US$1,681 million as at December 31, 2016 (2015: US$1,715 million) (see note 20).

4. Key Sources of Estimation Uncertainty (Continued)

Inventories

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

Management of the Group periodically reviews inventories for slow moving, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories is US$1,678 million as at December 31, 2016 (2015: US$1,748 million) (see note 23).

Trade and bills receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and bills receivables. In determining whether there is objective evidence of allowances for bad and doubtful debts, the Group takes into consideration the collectability, aged analysis of trade and bills receivables and estimation of future cash flows. The amount of the allowances for bad and doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a further allowance for bad and doubtful debts may arise. As at December 31, 2016, the carrying amount of trade and bills receivables is US$793 million which is after allowances for bad and doubtful debts (2015: US$725 million) (see note 24).

Valuation of obligation in respect of defined benefit plans

In determining the obligation in respect of defined benefit plans, the Group engaged an actuarial expert to perform the actuarial valuation of plan assets and the present value of the defined benefit obligations, and the key assumptions used including discount rates, expected return on plan assets, expected salary increases and mortality rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds and government bonds yields of appropriate duration and currency at the end of the reporting period. The expected returns on plan asset is determined on the historical returns and assets allocations by considering the future market and economic conditions. The expected rate of salary increase is referenced by the salary scale projected by management and the mortality rates is by referenced by demographic market data.

During the year ended December 31, 2016, remeasurement losses after tax effect amounting to US$31 million are recognised directly in equity in the period in which they occur (2015: US$12 million). The Group's obligation in respect of net pension liability as at December 31, 2016 amounted to US$331 million (2015: US$471 million) (see note 35).

5. 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 US$'million	2015 US$'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.

5. Turnover and Segment Information (Continued)

Segment information (Continued)

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

For the year ended December 31, 2016

	Packaged meats US$'million	Fresh pork US$'million	Hog production US$'million	Others US$'million	Total US$'million
People's Republic of China ("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
The United States of America ("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.

5. Turnover and Segment Information (Continued)

Segment information (Continued)

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

5. Turnover and Segment Information (Continued)

Segment information (Continued)

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

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

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

Geographical information

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

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

	2016 US$'million	2015 US$'million
Non-current assets		
– China	**2,567**	2,915
– U.S.	**4,983**	4,877
– Others	**1,033**	1,025
	8,583	8,817

6. Other Income

	2016 US$'million	2015 US$'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

7. Other Gains and Losses

	2016 US$'million	2015 US$'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

8. Other Expenses

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

9. Finance Costs

	2016 US$'million	2015 US$'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)

+ Less than US$1 million.

10. Profit Before Taxation

	2016 US$'million	2015 US$'million
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit services	**4**	5
– non-audit services	**2**	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.

11. Directors' and Employees' Emoluments

Messrs. Wan Long, Guo Lijun, Zhang Taixi, Sullivan Kenneth Marc and You Mu are the executive directors of the Company as at December 31, 2016.

On January 22, 2016, Messrs. Sullivan Kenneth Marc and You Mu are appointed as the executive directors of the Company.

On May 22, 2015 and December 31, 2015, Messrs. Yang Zhijun and C. Larry Pope resigned as executive directors of the Company respectively.

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

+ Less than US$1 million.

11. Directors' and Employees' Emoluments (Continued)

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Retention bonus US$'million	Share-based payments US$'million	Retirement benefit scheme contributions US$'million	2016 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	–	2	–+	–	15	–+	17
Mr. Guo Lijun	–	1	–+	–	4	–+	5
Mr. Zhang Taixi	–	–+	–	–	4	–+	4
Mr. Sullivan Kenneth Marc	–	1	12	1	1	1	16
Mr. You Mu	–	1	–	–	–+	–+	1
Sub-total	–	5	12	1	24	1	43
The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.							
B) NON-EXECUTIVE DIRECTORS							
Mr. Jiao Shuge	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–
The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.							
C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Lee Conway Kong Wai	–+	–	–	–	–	–	–+
Mr. Huang Ming	–+	–	–	–	–	–	–+
Mr. Lau Jin Tin Don	–+	–	–	–	–	–	–+
Sub-total	–+	–	–	–	–	–	–+
The independent directors' emoluments shown above were paid for their services as directors of the Company.							
Total for the year ended December 31, 2016							**43**

+ Less than US$1 million.

11. Directors' and Employees' Emoluments (Continued)

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

Notes:

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

(ii) No director nor the chief executive waived any emoluments in respect of the years ended December 31, 2016 and December 31, 2015.

(iii) Mr. Wan Long is also the Chief Executive for the years ended December 31, 2016 and December 31, 2015.

+ Less than US$1 million.

11. Directors' and Employees' Emoluments (Continued)

The five highest paid individuals for the year ended December 31, 2016 included two directors of the Company (2015: two), details of whose emoluments are set out above. The emoluments of the remaining three (2015: three) highest paid individuals during the year were as follows:

	2016 US$'million	2015 US$'million
Employees		
– basic salaries and allowances	3	3
– performance bonus	14	10
– retention bonus	1	2
– share-based payments	2	2
– retirement benefits scheme contributions	7	6
	27	23

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

	Number of employees	
	2016	2015
HK$45,000,001 to HK$45,500,000	1	–
HK$47,500,001 to HK$48,000,000	–	1
HK$63,500,001 to HK$64,000,000	–	1
HK$65,000,001 to HK$65,500,000	–	1
HK$76,000,001 to HK$76,500,000	1	–
HK$91,000,001 to HK$91,500,000	1	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2015: US$10 million).

12. Taxation

	2016 US$'million	2015 US$'million
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)

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

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

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

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

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

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

12. Taxation (Continued)

The US income tax charge comprises federal income tax calculated at 35% and state income tax calculated at the rates ranging from 0% to 9.9% on the estimated assessable profits of the subsidiaries of the Company which were incorporated in U.S..

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

No provision for Hong Kong Profits Tax has been made for both years as the Group did not have assessable profits subject to Hong Kong Profits Tax or the assessable profits are wholly absorbed by tax losses brought forward from prior year.

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

	2016		2015	
	US$'million	**%**	US$'million	%
Profit before taxation	**1,703**		1,302	
Tax at the applicable rates (Note)	**(499)**	**(29.3)**	(370)	(28.4)
Tax effect of share of profits of associates and joint ventures	**10**	**0.6**	1	0.1
Tax effect of income that are not taxable in determining current year taxable profit	**25**	**1.5**	30	2.3
Tax effect of expenses that are not deductible in determining current year taxable profit	**(45)**	**(2.7)**	(57)	(4.4)
Tax effect of tax losses not recognised	**–+**	**–**	(1)	(0.1)
Utilisation of tax losses previously not recognised	**3**	**0.2**	11	0.8
Effect of tax exemptions and preferential tax rates granted to China subsidiaries	**30**	**1.8**	35	2.7
Effect of tax exemptions and preferential tax rates granted to U.S. subsidiaries	**10**	**0.6**	11	0.8
Decrease in opening deferred tax liability resulting from decrease in applicable tax rate	**2**	**0.1**	1	0.1
Withholding tax on undistributed earnings of subsidiaries	**(25)**	**(1.5)**	(34)	(2.6)
Reversal of withholding tax on interest income	**–**	**–**	30	2.3
Over/(under)provision in prior years	**1**	**0.1**	(7)	(0.5)
PRC EIT tax on capital gain upon disposal of subsidiaries within the Group	**(21)**	**(1.3)**	–	–
Tax effect of tax losses recognised on intra-group transactions	**44**	**2.6**	43	3.3
Tax charge and effective tax rate for the year	**(465)**	**(27.3)**	(307)	(23.6)

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

Details of recognised and unprovided deferred taxation are set out in note 33.

+ Less than US$1 million.

13. Dividends

	2016 US$'million	2015 US$'million
Dividend recognised as distribution during the year:		
2015 final dividend of HK$12.5 cents per share (2014: Nil)	**236**	–
2016 interim dividend of HK$5 cents per share (2015: Nil)	**94**	–
	330	–
Less: Dividend paid to Chang Yun and High Zenith (Note)	**(22)**	–
	308	–

Note: The dividend recognised as distribution excludes dividend paid to Chang Yun Holdings Limited ("Chang Yun") and High Zenith Limited ("High Zenith") under the Company's share incentive schemes (see note 38(a) and 38(b)).

The final dividend of HK$21 cents 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.

14. 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 a 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.

15. 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 US$'million	2015 US$'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 and High Zenith under the Company's share incentive schemes (see note 38(a) and 38(b)).

The computation of diluted earnings per share for the years ended December 31, 2016 and December 31, 2015 does not assume the exercise of the Company's share options (see note 38(c)) because the exercise price of those options was higher than the average market price for shares.

16. Property, Plant and Equipment

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
COST						
At January 1, 2015	486	2,051	148	2,451	247	5,383
Currency realignment	(8)	(72)	(4)	(70)	(5)	(159)
Additions	–	–	3	21	603	627
Transfer	2	146	7	408	(563)	–
Eliminated on disposals	(1)	(5)	(8)	(33)	–	(47)
At December 31, 2015	479	2,120	146	2,777	282	5,804
Currency realignment	(2)	(86)	(5)	(98)	(3)	(194)
Additions	–	1	1	13	436	451
Transfer	3	93	4	310	(410)	–
Eliminated on disposals	(1)	(3)	(6)	(49)	–	(59)
At December 31, 2016	**479**	**2,125**	**140**	**2,953**	**305**	**6,002**
DEPRECIATION AND IMPAIRMENT						
At January 1, 2015	–	243	59	499	–	801
Currency realignment	–	(10)	(2)	(19)	–	(31)
Provided for the year	–	97	19	268	–	384
Impairment loss recognised in profit or loss	–	–	–	4	–	4
Eliminated on disposals	–	(3)	(7)	(18)	–	(28)
At December 31, 2015	–	327	69	734	–	1,130
Currency realignment	–	(15)	(4)	(13)	–	(32)
Provided for the year	–	94	15	254	–	363
Impairment loss recognised in profit or loss	–	–	–	47	–	47
Eliminated on disposals	–	(1)	(4)	(30)	–	(35)
At December 31, 2016	**–**	**405**	**76**	**992**	**–**	**1,473**
CARRYING VALUES						
At December 31, 2016	**479**	**1,720**	**64**	**1,961**	**305**	**4,529**
At December 31, 2015	479	1,793	77	2,043	282	4,674

16. Property, Plant and Equipment (Continued)

Certain of the Group's buildings of US$915 million as at December 31, 2016 (2015: US$987 million) are erected on land held in China while the rest are erected on freehold land situated in U.S..

As at December 31, 2016, the application of obtaining the ownership certificates of buildings in China with an aggregate carrying value of approximately US$317 million (2015: US$336 million) are still in process.

Included in the carrying value of property, plant and equipment as at December 31, 2016, there was an amount of US$24 million (2015: US$24 million) in respect of assets held under finance leases.

During the year ended December 31, 2016, the directors of the Company conducted a review on recoverable amounts of certain plant and machinery used in the U.S. for hot dog production and considered the fair value of the relevant assets was minimal and would substantially be offset by the relevant costs to sell. Accordingly, a full impairment loss of US$39 million have been recognised.

Property, plant and equipment with carrying amount of approximately US$4 million has been fully impaired during the year ended December 31, 2015.

17. Prepaid Lease Payments

	2016 US$'million	2015 US$'million
COST		
At January 1	**255**	264
Currency realignment	**(17)**	(11)
Additions	**–[+]**	2
At December 31	**238**	255
AMORTISATION		
At January 1	**35**	31
Currency realignment	**(2)**	(1)
Released for the year	**5**	5
At December 31	**38**	35
CARRYING VALUE		
At December 31	**200**	220
Analysed for reporting purposes as:		
Current	**5**	5
Non-current	**195**	215
	200	220

The amount mainly represents the prepayment of rentals for land use rights situated in China for unexpired lease periods between 12 and 36 years.

[+] Less than US$1 million.

18. 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 Head ('000)	2015 Head ('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

Hogs

In general, once a sow is inseminated it will gestate for a period of 114 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, at approximately 8 to 15 pounds, they are transferred to the "nursery".

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately 6 weeks where they will grow to approximately 45 to 50 pounds and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 13 to 19 weeks. During that time they will grow to 264 to 290 pounds and be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

Poultry

In general, once a pullets lays eggs, the eggs will be sent to the hatchery and it will take approximately 21 days to be hatched. The hatched chicks are then sent to the broiler farm.

The chicks are fed with a series of specially formulated diets to meet their nutrition needs. The chicks will stay in the broiler farm for approximately 38-42 days where they will grow to approximately 2.4 kilogram and then be considered as a broiler with market value.

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

18. Biological Assets (Continued)

Nature of the Group's agricultural activities (Continued)

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

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

Carrying value of the Group's biological assets

	Live hogs		Breeding stock (hogs)		Broiler		Breeding stock (poultry)		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	US$'million	US$'million	**US$'million**	US$'million	**US$'million**	US$'million	**US$'million**	US$'million	**US$'million**	US$'million
Carrying value at January 1	**861**	1,014	**198**	220	**4**	–	**2**	–	**1,065**	1,234
Currency realignment	**(11)**	(15)	**(3)**	(5)	**–+**	–+	**(1)**	–+	**(15)**	(20)
Add: Breeding costs	**6,817**	7,075	**177**	168	**93**	45	**8**	6	**7,095**	7,294
Gain (loss) arising from changes in fair value less costs to sell of biological assets	**1**	(38)	**(6)**	6	**(1)**	(1)	**(4)**	(2)	**(10)**	(35)
Transfer to inventories at the point of harvest	**(6,564)**	(6,971)	**(151)**	(158)	**(84)**	(38)	**(3)**	(1)	**(6,802)**	(7,168)
Decrease due to depreciation	**–**	–	**–**	(2)	**–**	–	**–**	–	**–**	(2)
Decrease due to culling	**(177)**	(204)	**(31)**	(31)	**(6)**	(2)	**–**	(1)	**(214)**	(238)
Carrying value at December 31	**927**	861	**184**	198	**6**	4	**2**	2	**1,119**	1,065

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

+ Less than US$1 million.

18. Biological Assets (Continued)

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

Analysed for reporting purpose as:

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

Fair value measurement – Level 3

	2016 US$'million	2015 US$'million
Biological assets		
– live hogs	927	861
– breeding stock (hogs)	184	198
– Broiler	6	4
– breeding stock (poultry)	2	2
	1,119	1,065

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 price of hogs and broiler in the actively traded 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 or decrease in the breeding cost required to raise the live hogs and commercial chicken, and vice versa.

18. Biological Assets (Continued)

Fair value measurement (Continued)

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 suckling 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.

19. Goodwill

	2016 US$'million	2015 US$'million
COST		
At January 1	**1,801**	1,815
Currency realignment	**(17)**	(14)
At December 31	**1,784**	1,801
ACCUMULATED IMPAIRMENT LOSSES		
At January 1 and December 31	**–**	–
CARRYING VALUE		
At December 31	**1,784**	1,801

Impairment testing on goodwill

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

- Fresh pork
- Packaged meats

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

	2016 US$'million	2015 US$'million
Allocated to		
Fresh pork – China	**47**	51
Packaged meats – China	**137**	147
Fresh pork – U.S.	**31**	31
Packaged meats – U.S.	**1,504**	1,504
Fresh pork and packaged meats – Others	**65**	68
	1,784	1,801

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amount of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by value in use method using cash flow projection performed by the management for both years ended December 31, 2016 and December 31, 2015.

19. Goodwill (Continued)

Impairment testing on goodwill (Continued)

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

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

	China		U.S.	
	2016 %	2015 %	**2016 %**	2015 %
Revenue growth rate (Note i)	**5.40–27.33**	16.42–25.65	**0–5.4**	(1.9)–5.2
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**11**	14	**8**	8

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

	China		U.S.	
	2016 %	2015 %	**2016 %**	2015 %
Revenue growth rate (Note i)	**8.60–20.30**	16.00–19.64	**(0.1)–2.9**	0.8–6.2
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**11**	14	**8**	8

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

	2016 %	2015 %
Revenue growth rate (Note i)	**4.0–11.3**	2.5–5.9
Long-term growth rate (Note ii)	**3**	3
Discount rate (Note iii)	**9**	9

Notes:

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

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

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

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

20. Intangible Assets

	Trademarks US$'million	Distribution network US$'million	Patents US$'million	Customers relations US$'million	Contract farm relations US$'million	Rights and permits US$'million	Total US$'million
COST							
At January 1, 2015	1,651	5	1	54	40	3	1,754
Currency realignment	(24)	–	–	–+	–	–+	(24)
At December 31, 2015	1,627	5	1	54	40	3	1,730
Currency realignment	(25)	–	–	–+	–	–+	(25)
At December 31, 2016	**1,602**	**5**	**1**	**54**	**40**	**3**	**1,705**
AMORTISATION AND IMPAIRMENT							
At January 1, 2015	–	–	1	5	2	–+	8
Currency realignment	–	–	–	–+	–	–+	–+
Provided for the year	–	–	–	5	2	–+	7
At December 31, 2015	–	–	1	10	4	–+	15
Currency realignment	–	–	–	–+	–	–+	–+
Provided for the year	–	–	–	7	2	–+	9
At December 31, 2016	**–**	**–**	**1**	**17**	**6**	**–+**	**24**
CARRYING VALUES							
At December 31, 2016	**1,602**	**5**	**–**	**37**	**34**	**3**	**1,681**
At December 31, 2015	1,627	5	–	44	36	3	1,715

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

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

– they are capable of being renewed indefinitely at insignificant cost;
– there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

+ Less than US$1 million.

20. Intangible Assets (Continued)

Impairment testing on intangible assets

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

- Fresh pork
- Packaged meats

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

	2016 US$'million	2015 US$'million
Allocated to		
Fresh pork – China	**47**	50
Packaged meats – China	**281**	299
Fresh pork – U.S.	**235**	235
Packaged meats – U.S.	**965**	965
Fresh pork and packaged meats – Others	**79**	83
	1,607	1,632

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amount of CGUs may not be recoverable. The recoverable amount of these CGUs have been determined by value in use method using cash flow projection by management for the years ended December 31, 2016 and December 31, 2015.

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

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

	China		**U.S.**	
	2016 %	2015 %	**2016 %**	2015 %
Revenue growth rate (Note i)	**5.40–27.33**	16.42–25.65	**0–5.4**	(1.9) – 5.2
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**14**	17	**10**	10

20. Intangible Assets (Continued)

Impairment testing on intangible assets (Continued)

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

	China		U.S.	
	2016	2015	**2016**	2015
	%	%	**%**	%
Revenue growth rate (Note i)	**8.60–20.30**	16.00–19.64	**2.1–2.9**	0.8–6.2
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**14**	17	**10**	10

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

	2016	2015
	%	%
Revenue growth rate (Note i)	**4.0–11.3**	2.5–5.9
Long-term growth rate (Note ii)	**3**	3
Discount rate (Note iii)	**11**	11

Notes:

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

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

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

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

21. Interests in Associates

	2016 US$'million	2015 US$'million
The Group's share of interests in associates Unlisted	47	49
Share of post-acquisition profits and other comprehensive income, net of dividends received	15	14
	62	63

Details of the Group's principal associates as at December 31, 2016 and December 31, 2015 are as follows:

Name of associate	Place of establishment/ incorporation	Attributable proportion of issued/registered capital held by the Company indirectly 2016	2015	Principal activities
杜邦雙匯漯河蛋白有限公司 (Dupont Shineway Luohe Protein Co., Ltd)	China	40%	40%	Manufacture and sales of protein products
南通匯羽豐新材料有限公司 (Nantong SKT New Material Co., Ltd)	China	43%	43%	Packaging materials supplies
杜邦雙匯漯河食品有限公司 (Dupont Shineway Luohe Food Co., Ltd.)	China	48%	48%	Production of soy albumen

The above table lists the principal associates of the Group, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the consolidated net assets. The details of other associates of the Group are not set out individually, as they are not considered as material in the opinions of the directors.

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

Summarised financial information of a material associate

All the Group's associates are not considered as individually material as at December 31, 2016. The aggregate amounts of its share of these associates is set out in the consolidated financial statements.

Summarised financial information in respect of the Group's material associate in 2015 is set out below. The summarised financial information below represents amounts prepared in accordance with IFRSs.

21. Interests in Associates (Continued)

Sigma & WH Europe

On June 3, 2015, the Group disposed all interest in Sigma & WH Europe and Sigma & WH Europe ceased to be an associate of the Group. Please refer to note 14 for disposal of an associate.

	Sigma & WH Europe 2015 US$'million
Revenue	677
Loss for the period	(14)
Other comprehensive income for the period	4
Total comprehensive loss for the period	(10)
Dividends received from the associate during the period	–

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

	2016 US$'million	2015 US$'million
The Group's share of profit and total comprehensive income for the year from these associates	**8**	4
Dividend received from these associates during the year	**6**	1

22. Interests in Joint Ventures

	2016 US$'million	2015 US$'million
Cost of investment in unlisted joint ventures	**111**	111
Share of post-acquisition profits and other comprehensive income, net of dividend received	**8**	11
	119	122

22. Interests in Joint Ventures (Continued)

Details of the Group's principal joint ventures as at December 31, 2016 and December 31, 2015, all of which are 50% held by the Company indirectly are as follows. The Group exercises joint control over these entities and therefore classified them as joint ventures of the Group.

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

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

23. Inventories

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

24. Trade and Bills Receivables

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

24. Trade and Bills Receivables (Continued)

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

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

At December 31, 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$60 million (2015: US$78 million) that are aged between 31 to 180 days and past due at the end of reporting period for which the Group has not provided for impairment loss considering the payment history and that substantial repayment was noted subsequently to the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables as at December 31, 2016 is 65 days (2015: 75 days).

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

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

24. Trade and Bills Receivables (Continued)

Movement in the allowances for bad and doubtful debts.

	2016 US$'million	2015 US$'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.

25. Prepayments, Deposits and Other Receivables

	2016 US$'million	2015 US$'million
Loans receivables	**40**	38
Deposits paid to suppliers	**21**	20
Deposits placed with financial institutions	**8**	43
Value-added tax receivables	**104**	96
Prepayments	**28**	30
Amount due from joint ventures (Note 44(b))	**4**	–
Others	**50**	49
	255	276
Analysed for reporting purposes as:		
Current	**208**	231
Non-current	**47**	45
	255	276

+ Less than US$1 million.

26. Available-For-Sale Investments

	2016 US$'million	2015 US$'million
Unlisted investments:		
– Financial products	–	397
– Equity investments	5	–
	5	397
Analysed for reporting purposes as:		
Current assets	–	397
Non-current assets	5	–
	5	397

At December 31, 2015, the Group's available-for-sale investments represented the investments in financial products operated by banks with expected annual return ranging from 2.1% to 4.1% per annum. All the financial products were disposed of on maturity date throughout the year ended December 31, 2016 and recognised a gain on maturity of US$14 million (2015: US$28 million) in profit or loss.

At December 31, 2016, the Group's available-for-sale investments represented unlisted investments in equity securities issued by private entities which does not have a quoted market price in an active market. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates are so significant that the directors of the Group are of the opinion that their fair value cannot be measured reliably. The management considered that such available-for-sale investments as at the end of the reporting period are held for strategic purpose and are not to be disposed of in the foreseeable future.

27. Derivatives Financial Instruments

Derivatives under hedge accounting

	2016		2015	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Fair value hedges				
– Grain contracts	1	–	1	–
Cash flow hedges				
– Foreign currency forward	–+	2	–+	1
– Grain contracts	2	6	–+	32
– Livestock contracts	2	1	11	–
– Interest rate contracts	–+	2	–	–+
	5	11	12	33

\+ Less than US$1 million.

27. Derivatives Financial Instruments (Continued)

Fair value hedges:

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

Derivative instruments	Notional volume Minimum	Notional volume Maximum	Metric	Maturity
At December 31, 2016				
Commodities contracts				
– Corn	1,025,000	11,705,000	Bushels	up to March 2018
At December 31, 2015				
Commodities contracts				
– Corn	1,825,000	11,285,000	Bushels	up to May 2017

During the year ended December 31, 2016, the hedge was highly effective in hedging the fair value exposure to the grain price movements and as a result the carrying amount of the commitments to buy grains was adjusted by less than US$1 million (2015: less than US$1 million) which was included in profit or loss at the same time that the derivative instruments were included in profit or loss in both years.

Cash flow hedges:

At December 31, 2016 and December 31, 2015, the Group had the following foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales and purchases.

As at December 31, 2016, there were deferred net losses of US$5 million (2015: net losses of US$23 million) in equity, net of tax expense of US$11 million (2015: net of tax credit of US$30 million) included in other reserve.

27. Derivatives Financial Instruments (Continued)

Cash flow hedges: (Continued)

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

Derivative instruments	Notional volume Minimum	Maximum	Metric	Maturity
At December 31, 2016				
Commodities contracts				
– Lean hogs	127,840,000	1,515,800,000	Pounds	up to September 2017
– Corn	34,660,000	102,610,000	Bushels	up to December 2018
– Soybean meal	315,600	1,270,200	Tons	up to December 2018
Interest rate contracts	17,238,832	618,385,250	U.S. Dollars	up to November 2019
Foreign currency forward contracts	14,811,932	51,923,855	Various currencies	up to October 2017
At December 31, 2015				
Commodities contracts				
– Lean hogs	–	1,006,440,000	Pounds	up to July 2016
– Corn	56,855,000	81,685,000	Bushels	up to December 2016
– Soybean meal	433,800	730,300	Tons	up to December 2016
Interest rate contracts	17,360,681	19,493,720	U.S. Dollars	up to November 2019
Foreign currency forward contracts	16,252,934	53,993,260	Various currencies	up to November 2016

Fair value gains of US$18 million (2015: fair value losses of US$47 million) have been recognised in other comprehensive expenses during the year ended December 31, 2016.

Derivatives not under hedge accounting

	2016 Assets US$'million	2016 Liabilities US$'million	2015 Assets US$'million	2015 Liabilities US$'million
Foreign currency forward	**–**	**–+**	–	–+
Grain contracts	**2**	**–+**	3	–
Livestock contracts	**5**	**–**	8	–
Energy contracts	**8**	**–**	–	16
	15	**–+**	11	16

+ Less than US$1 million.

27. Derivatives Financial Instruments (Continued)

Derivatives not under hedge accounting (Continued)

Major terms of such derivatives are as follows:

Derivative instruments	Notional volume Minimum	Notional volume Maximum	Metric	Maturity
At December 31, 2016				
Commodities contracts				
– Wheat	–	5,190,000	Bushels	up to March 2017
– Soybean meal	900	4,810,000	Tons	up to August 2017
– Lean hogs	200,000	223,240,000	Pounds	up to April 2018
– Corn	45,000	29,310,000	Bushels	up to March 2018
– Soybeans	55,000	4,810,000	Bushels	up to January 2018
Natural gas	7,790,000	10,950,000	MMBTU	up to December 2018
Live cattle	–	13,440,000	Pounds	up to April 2017
Foreign currency forward contracts	8,865,511	77,633,021	Various currencies	up to February 2017
At December 31, 2015				
Commodities contracts				
– Wheat	60,000	3,805,000	Bushels	up to July 2016
– Soybean meal	2,700	25,400	Tons	up to August 2016
– Lean hogs	5,910,000	266,440,000	Pounds	up to October 2016
– Corn	3,960,000	24,320,000	Bushels	up to March 2017
– Soybeans	50,000	3,125,000	Bushels	up to March 2017
Natural gas	7,460,000	11,000,000	MMBTU	up to December 2017
Live cattle	–	15,360,000	Pounds	up to April 2016
Heating oil	2,016,000	3,276,000	Gallons	up to December 2016
Crude oil	36,000	72,000	Barrels	up to December 2016
Diesel	3,948,000	7,112,000	Gallons	up to December 2016
Foreign currency forward contracts	4,694,854	56,532,851	Various currencies	up to July 2016

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

28. Pledged/Restricted Bank Deposits and Bank Balances and Cash

At December 31, 2016, bank balances carry interest at market rates ranging from 0.01% to 4.80% (2015: 0.01% to 4.80%) per annum. The pledged and restricted bank deposits carry fixed interest rates from 0.01% to 3.90% (2015: 0.01% to 3.90%) per annum.

At December 31, 2016, pledged bank deposits represent deposits of US$9 million (2015: US$18 million) pledged to banks for securing banking and trading facilities such as letter of credits and bank loans granted to the Group, and US$3 million (2015: US$3 million) pledged for securing loan from a third party. These pledged bank deposits will be released upon the settlement of relevant borrowings or the release of the relevant facilities.

At December 31, 2016, a subsidiary of the Group which engaged in financial services, is governed by the law to placed US$42 million (2015: Nil) of statutory deposit in the People's Bank of China.

29. 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 US$'million	2015 US$'million
Trade payables	**854**	812

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

	2016 US$'million	2015 US$'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

30. Accrued Expenses and Other Payables

	2016 US$'million	2015 US$'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 (Note 35)	**33**	31
Accrued professional fees	**35**	25
Accrued advertising expenses	**24**	26
Dividend payable	**17**	–
Amounts due to associates (Note 44(b))	**7**	4
Deferred revenue (Note 34)	**1**	2
Brokers payables	**1**	–+
Obligations under finance leases (Note 31)	**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.

31. Obligations Under Finance Leases

The Group has leased certain of its buildings, machinery, vehicles and other equipment under finance leases. As at December 31, 2016, the lease term is ranged from 2 to 24 years (2015: 2 to 25 years). Interest rates underlying all obligations under finance leases are variable at respective contract dates with an average rate of 0.3% per annum for the year ended December 31, 2016 (2015: 0.3% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	2016 US$'million	2015 US$'million	**2016 US$'million**	2015 US$'million
Amounts payable under finance leases:				
Within one year	**2**	2	**1**	1
Between one to two years	**2**	2	**1**	1
Between two to five years	**4**	4	**3**	3
After five years	**21**	23	**19**	19
	29	31	**24**	24
Less: Future finance charges	**(5)**	(7)		
Present value of lease obligations	**24**	24		
Less: Amounts due for settlement within one year and shown under current liabilities (included in accrued expenses and other payable in Note 30)			**(1)**	(1)
Amounts due after one year			**23**	23

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

32. Borrowings

	2016 US$'million	2015 US$'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

32. Borrowings (Continued)

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.

Details of assets pledged to secure borrowings are set out in Note 42.

33. Deferred Taxation

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

	2016 US$'million	2015 US$'million
Deferred tax assets	**28**	146
Deferred tax liabilities	**(887)**	(810)
	(859)	(664)

33. Deferred Taxation (Continued)

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

Tax effect of deductible temporary differences:

	Allowances for bad debts US$'million	Impairment loss and accelerated accounting depreciation on property, plant and equipment US$'million	Unrealised profit in inventories US$'million	Write-down of inventories US$'million	Tax losses US$'million	Unpaid staff welfare US$'million	Fair value changes arising from biological assets US$'million	Other deductible temporary differences US$'million	Total US$'million
At January 1, 2015	–[+]	3	9	–[+]	119	247	–	–	378
Currency realignment	–[+]	–[+]	–[+]	–[+]	(1)	–[+]	–	(1)	(2)
Credited (charged) to profit or loss	–[+]	–[+]	4	–[+]	49	(59)	15	(9)	–[+]
Credited to equity	–	–	–	–	–	10	–	33	43
At December 31, 2015	–[+]	3	13	–[+]	167	198	15	23	419
Currency realignment	–[+]	–[+]	–[+]	–[+]	–[+]	–[+]	–	2	2
Credited (charged) to profit or loss	–[+]	15	(5)	–[+]	(117)	(72)	(3)	(3)	(185)
Credited (charged) to equity	–	–	–	–	–[+]	18	–	(11)	7
At December 31, 2016	**–[+]**	**18**	**8**	**–[+]**	**50**	**144**	**12**	**11**	**243**

Tax effect of taxable temporary differences:

	Accelerated tax depreciation US$'million	Undistributed earnings of subsidiaries US$'million	Fair value changes arising from business combination US$'million	Fair value changes arising from biological assets US$'million	Other taxable temporary differences US$'million	Total US$'million
At January 1, 2015	(531)	(18)	(487)	(31)	(61)	(1,128)
Currency realignment	–[+]	–[+]	–[+]	–	10	10
(Charged) credited to profit or loss	(6)	(13)	14	31	27	53
Charge to equity	–	–	–	–	(18)	(18)
At December 31, 2015	(537)	(31)	(473)	–	(42)	(1,083)
Currency realignment	–[+]	–[+]	–[+]	–	9	9
(Charged) credited to profit or loss	(35)	22	–	–	(15)	(28)
At December 31, 2016	**(572)**	**(9)**	**(473)**	**–**	**(48)**	**(1,102)**

[+] Less than US$1 million.

33. Deferred Taxation (Continued)

At December 31, 2016, the Group had unused tax losses of US$177 million (2015: US$567 million) available for offset against future profits of which a deferred tax asset has been recognised in respect of US$141 million (2015: US$499 million) of such losses. No deferred tax asset has been recognised in respect of such losses of US$36 million (2015: US$68 million) due to unpredictability of future profit stream. Except for an unrecognised tax losses of US$4 million at December 31, 2016 (2015: US$28 million) that may be carried forward indefinitely, other losses will expire from the year of 2016 to 2036.

The unrecognised tax losses will expire on or before 2036 as below:

	2016 **US$'million**	2015 US$'million
By end of		
2016	**–**	4
2017	**1**	3
2018	**3**	3
2019	**3**	3
after 2020	**25**	27
	32	40

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$1,108 million (2015: US$881 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

34. Deferred Revenue

	2016 **US$'million**	2015 US$'million
Government grant		
– current (included in accrued expenses and other payables) (Note 30)	**1**	2
– non-current	**8**	9
	9	11

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

35. Pension Liability and Other Retirement Benefits

Defined benefit plans

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

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

Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The plan in U.S. exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it is appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estates to leverage the return generated by the fund.
Interest risk	A decrease in the interest rate of fixed income products will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Price risk	An increase in the market price of equity investments will increase the plan assets.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2016 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.

35. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31,	
	2016	2015
Discount rate	**4.55%**	4.70%
Expected rate of salary increase	**4%**	4%

The actuarial valuation showed that the market value of plan assets was US$1,574 million (2015: US$1,322 million).

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

	2016 US$'million	2015 US$'million
Service cost:		
Current service cost	**51**	58
Past service cost	**–**	(15)
Net interest expense	**15**	20
Total	**66**	63

Remeasurement of the net defined benefit liability included in other comprehensive expense are as follows.

	2016 US$'million	2015 US$'million
Return on plan assets (excluding amounts included in net interest expense)	**31**	(68)
Actuarial (losses) gains arising from change in financial assumptions	**(80)**	48
	(49)	(20)
Less: Deferred taxation (Note 47)	**18**	8
Total	**(31)**	(12)

35. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2016 US$'million	2015 US$'million
Present value of funded defined benefit obligations	1,895	1,783
Fair value of plan assets	(1,574)	(1,322)
Funded status and net liability arising from defined benefit obligation	321	461
Other retirement benefits	10	10
	331	471
Included in:		
Current liabilities (Note 30)	33	31
Non-current liabilities	303	440
Other non-current assets	(5)	–
	331	471

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2016 US$'million	2015 US$'million
Defined benefit obligation at January 1	1,783	1,816
Current service cost	51	58
Past service cost	–	(15)
Interest cost	81	78
Benefits paid	(100)	(110)
Remeasurement losses (gains):		
Actuarial losses (gains) arising from change in financial assumptions	80	(44)
Defined benefit obligation at December 31	1,895	1,783

Movements in the present value of the plan assets in the current year were as follows:

	2016 US$'million	2015 US$'million
Fair value of plan assets at January 1	1,322	1,214
Interest income	66	58
Contributions from the employers	255	228
Benefits paid	(100)	(110)
Remeasurement gains (losses):		
Return on plan assets (excluding amounts included in net interest expense)	31	(68)
Fair value of plan assets at December 31	1,574	1,322

35. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The fair value of the plan assets as at the end of the reporting period for each category, are as follows.

	Fair value of plan assets at December 31,	
	2016	2015
	US$'million	US$'million
Cash and cash equivalents	**117**	86
Equity securities	**1,106**	502
Debt securities	**200**	628
Alternative investments	**52**	56
Limited partnerships	**64**	41
Insurance contracts	**1**	1
Total fair value	**1,540**	1,314
Unsettled transactions, net	**34**	8
Total plan assets	**1,574**	1,322

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of alternative investments limited partnerships and insurance contracts are not based on quoted market prices in active markets. As at December 31, 2016, US$580 million, US$895 million and US$65 million planned assets (2015: US$460 million, US$812 million and US$42 million) are classified as Level 1, Level 2 and Level 3 respectively.

The actual return on plan assets was 7.91% (2015: 6.75%) over 5 years.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease (increase) by US$133 million (2015: decrease (increase) by US$124 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

35. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

Pension plan assets may be invested in cash and cash equivalents, equities securities, debt securities and alternative assets (including alternative investments, limited partnerships and insurance contracts). The investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. Maturity for fixed income securities is managed such that sufficient liquidity exists to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within parameters established by the plan trustees.

The following table presents the fair value of the qualified pension plan assets by major asset category as at the end of the reporting period. The allocation of the pension plan assets is based on the target range presented in the following table.

Asset categories:

	At December 31, 2016		At December 31, 2015	
	US$'million	**Target range**	US$'million	Target range
Cash and cash equivalents, net of unsettled transactions	**151**	**0–4%**	94	0–4%
Equity securities	**1,106**	**30–50%**	502	30 –50%
Debt securities	**200**	**33–55%**	628	33–55%
Alternative assets	**117**	**5–20%**	98	5–20%
Total	**1,574**		1,322	

The Group expects to make a contribution of US$111 million to the defined benefit plan during the next financial year.

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents* – Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their net asset values, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities* – When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

35. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and commingled funds that are not actively traded.

- *Debt securities* – The fair values of debt securities are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these debt securities include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 debt securities include mutual funds, asset-backed securities, emerging market securities, corporate debt securities and government debt securities.

- *Alternative Investments* – The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds.

- *Limited partnerships* – The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilising available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments, with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts* – The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

35. Pension Liability and Other Retirement Benefits (Continued)

Defined contribution plans

The Group's qualifying employees in Hong Kong participate in MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in fund under the control of trustee. Under the MPF scheme in Hong Kong, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$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 is to make the required contributions under the scheme.

The Group has defined contribution plans (401(K) plans) covering substantially all U.S. employees. The Group's contributions to the plan are primarily based on each contribution and cannot exceed the maximum allowable for tax purposes.

The amount charged to profit or loss of approximately US$88 million during the year ended December 31, 2016 (2015: US$76 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

36. Share Capital

	Number of shares 'million	Amount US$'million
Ordinary shares of US$0.0001 each:		
Authorised:		
At January 1, 2015, December 31, 2015 and December 31, 2016	50,000	5
Issued and fully paid:		
At January 1, 2015 and December 31, 2015	14,648.42	1
Issue of shares on exercise of share options (Note)	2.65	–[+]
At December 31, 2016	14,651.07	1

Note: The share options exercised during the year are under the pre-IPO share option scheme.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

[+] Less than US$1 million.

37. Capital Risk Management and Financial Instruments

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Categories of financial instruments

	2016 US$'million	2015 US$'million
Financial assets		
Available-for-sale investments	**5**	397
Derivatives financial assets	**20**	–
Other non-current assets	**97**	71
	122	468
Loans and receivables:		
Trade, bills and other receivables	**878**	801
Pledged/restricted bank deposits	**59**	26
Bank balances and cash	**1,139**	1,137
	2,076	1,964
Financial liabilities		
At amortised costs:		
Trade, bills and other payables	**1,300**	1,277
Borrowings (fixed and floating rates)	**2,862**	3,902
Bank overdrafts	**16**	12
	4,178	5,191
Derivatives financial liabilities	**11**	26

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies

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

Market risk

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

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

Foreign currency risk management

Certain group entities have certain foreign currency sales, purchases, bank balances and cash and borrowings denominated in US$ and Euro ("EUR"), which expose the Group to foreign currency risk. In order to mitigate the foreign currency risks, foreign currency forward contracts are entered into by the Group for certain material foreign currency transactions. The critical terms of these foreign currency forward contracts are similar to those of the hedged payments and receipts dominated in foreign currencies. These foreign currency forward contracts are designated as hedging instruments and hedge accounting is applied as the contracts are considered highly effective hedging items.

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

	2016 US$'million	2015 US$'million
Assets		
US$		
Bank balances and cash	**107**	6
Trade, bills and other receivables	**–**	6
EUR		
Bank balances and cash	**1**	5
Trade, bills and other receivables	**27**	23

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

	2016 US$'million	2015 US$'million
Liabilities		
US$		
Trade, bills and other payables	49	13
Borrowings	142	163
EUR		
Trade, bills and other payables	13	14
Borrowings	2	2

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in US$ against functional currencies of respective group entities which represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to the functional currencies of respective group entities at year end for a 5% (2015: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where US$ strengthens 5% (2015: 5%) against the relevant currency. For a 5% (2015: 5%) weakening of US$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative (positive).

	2016 US$'million	2015 US$'million
US$ impact	(3)	(5)

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

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its available-for-sale investments and fixed-rate borrowings (see notes 26 and 32 respectively for details). The Group currently does not enter into any derivative contracts to hedge its exposure to changes in fair values of the available-for-sale investments and fixed-rate borrowings. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to floating rates bank balances, borrowings and bank overdrafts (see notes 28 and 32 respectively for details). The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Market risk (Continued)

Sensitivity analysis

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

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

	2016 US$'million	2015 US$'million
Increase in post-tax profit	**2**	–+

There would be an equal and opposite impact on the post-tax profit where the interest rates increased 27 basis point in China or 25 basis points outside China and all other variables were held constant.

Credit risk

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

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

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

The credit risk on available-for-sale investments representing financial products in 2015, bank balances and pledged bank deposits is limited because the counterparties are financial institutions with good reputation in China and the U.S..

+ Less than US$1 million.

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Liquidity risk management

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

As at December 31, 2016, the Group has available unutilised banking facilities of approximately US$2,720 million (2015: US$2,505 million).

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

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

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Liquidity risk management (Continued)

	Weighted average effective interest rate %	On demand and 6 months or less US$'million	6–12 months US$'million	1–2 years US$'million	2–5 years US$'million	More than 5 years US$'million	Total undiscounted cash flows US$'million	Total carrying amount US$'million
At December 31, 2016								
Trade and bills payables	–	849	5	–	–	–	854	854
Other payables	–	446	–	–	–	–	446	446
Obligations under finance lease	0.30	–+	2	2	4	21	29	24
Bank overdrafts	3.50	16	–	–	–	–	16	16
Fixed-rates borrowings	5.92	660	207	451	610	963	2,891	2,359
Floating-rates borrowings	1.90	183	73	227	23	–	506	503
		2,154	287	680	637	984	4,742	4,202
Derivative financial liabilities – net settlement		11	–	–	–	–	11	11
At December 31, 2015								
Trade and bills payables	–	810	2	–	–	–	812	812
Other payables	–	465	–	–	–	–	465	465
Obligations under finance lease	0.30	–+	2	2	4	23	31	24
Bank overdrafts	4.35	12	–	–	–	–	12	12
Fixed-rates borrowings	6.04	207	69	602	881	1,391	3,150	2,456
Floating-rates borrowings	2.77	112	388	342	715	–	1,557	1,446
		1,606	461	946	1,600	1,414	6,027	5,215
Derivative financial liabilities – net settlement		26	–	–	–	–	26	26

+ Less than US$1 million.

37. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Other price risk

The Group is exposed to other price risk through its derivative instruments. The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. If the prices of these future contracts had been 5% higher/lower as at December 31, 2016, the other reserve would decrease/increase by less than US$1 million (2015: less than US$1 million).

Fair value measurement

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

Fair value measurements recognised in the consolidated statements of financial position

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

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

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

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

	2016			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Derivatives financial assets	6	14	–	20
Other non-current assets	19	78	–	97
	25	92	–	117
Derivatives financial liabilities	–	11	–	11

37. Capital Risk Management and Financial Instruments (Continued)

Fair value measurement (Continued)

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

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

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

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

Fair value measurements and valuation processes

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

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

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

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

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

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

37. Capital Risk Management and Financial Instruments (Continued)

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

As at December 31, 2016

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: Cash collateral received US$'million	Net amount US$'million
Derivative under hedge accounting	10	(5)	5	–	8	13
Derivative not under hedge accounting	21	(6)	15	–	–	15
Total	31	(11)	20	–	8	28

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged US$'million	Net amount US$'million
Derivative under hedge accounting	16	(5)	11	–	–	11
Derivative not under hedge accounting	6	(6)	–	–	–	–
Total	22	(11)	11	–	–	11

37. Capital Risk Management and Financial Instruments (Continued)

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

As at December 31, 2015

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: 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)	–	–	–	–

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: Cash collateral received 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

38. Share Incentive Schemes

(a) The Company's share award plan (the "2010 Share Award Plan") was adopted pursuant to a resolution in writing of all shareholders of the Company dated November 26, 2010 (the "Resolutions"). As a result of the completion of the reorganisation steps as described and approved in the Resolutions on December 26, 2013, 631,580,000 shares of the Company (the "Incentive Shares"), representing 6% of the then issued shares of the Company were transferred from Shine D Holding Limited, one of the shareholders of the Company, to Chang Yun for the senior management of the Company and its subsidiaries and invested entities pursuant to the 2010 Share Award Plan. The Resolutions also approved the engagement of Tricor Services Limited by the Company to provide trustee services for the 2010 Share Award Plan and Teeroy Limited has been designated by Tricor Services Limited to act as trustee for the 2010 Share Award Plan (the "Trustee"). The voting rights in respect of the Incentive Shares held by Chang Yun will be exercised in accordance with the direction to be given by Heroic Zone, one of the shareholders of the Company.

If, at the date of termination of the 2010 Share Award Plan, Chang Yun holds any Incentive Shares which has not been set aside pursuant to the terms of the 2010 Share Award Plan in favour of any selected employee of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2010 Share Award Plan, all the Incentive Shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2010 Share Award Plan, shall become vested on such selected employee and any Incentive Shares which are not vested in accordance with the terms of the 2010 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2010 Share Award Plan was hereby regarded as a special purpose entity of the Company and consolidated to the Group accordingly.

The 2010 Share Award Plan was amended pursuant to a resolution in writing of all directors dated February 9, 2012 and the assessment period for vesting the Incentive Shares were set to be 2012 to 2014. Shares have been granted and vested to the management or staff of the Company under the 2010 Share Award Plan up to the date of issue of these financial statements, but the relevant shares have not yet been transferred to the relevant parties.

Details of the Share Award Plan are as follows:

Number of shares	631,580,000 (subject to the lock-up period of 5 years and voting right shall be retained by Heroic Zone, the immediate holding company of the Company, thereafter)
Grant date	December 26, 2012
Vesting condition	Performance target for each year from 2012 to 2014

The management of the Company considers that the vesting condition on performance target is achieved and all Incentive Shares will be transferred from Trustee ultimately. The estimated fair value of the Incentive Shares as at grant date amounted to US$128 million has been recognised in profit or loss during vesting period. It is determined by market approach.

38. Share Incentive Schemes (Continued)

(b) The Company had adopted another share award plan (the "2013 Share Award Plan") pursuant to a written resolution of all the Company's shareholders in October 2013, representing 3.0% of the then issued shares of the Company at the time of issuance pursuant to the 2013 Share Award Plan held by High Zenith for the recognition and reward to the contribution of certain employees and the growth and development of the Group. The resolution also approved Trustee by the Company to provide trustee services for the 2013 Share Award Plan. The voting rights in respect of the shares held by High Zenith will be exercised in accordance with the direction to be given by Heroic Zone.

If, at the date of termination of the 2013 Share Award Plan, High Zenith holds any shares which has not been set aside pursuant to the terms of the 2013 Share Award Plan in favour of any selected employees of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2013 Share Award Plan, all the shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2013 Share Award Plan, shall become vested on such selected employee and any shares which are not vested in accordance with the terms of the 2013 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2013 Share Award Plan was hereby regarded as a special purpose entity of the Group accordingly.

On October 23, 2013, 350,877,333 newly issued shares of US$0.0001 each were allotted to High Zenith pursuant to the 2013 Share Award Plan as set out above.

None of the shares has been granted to the management or staff of the Company under the 2013 Share Award Plan up to the date of issue of their financial statements.

(c) Pre-IPO share option

The pre-IPO share option scheme was adopted pursuant to a written resolution passed by the shareholders of the Company on January 21, 2014 as amended on April 4, 2014, the purpose of which is to incentivise and reward eligible participants of the scheme, including directors, employees of the Company or its subsidiaries by reason of their contribution or potential contribution to the Company and/or any of its subsidiaries.

In July 2014, the number of shares in respect of which options had been granted under the pre-IPO share option scheme was 584,795,555, with exercise price of HK$6.20 per share, representing no more than 5% of the then issued share capital of the Company upon completion of the listing on the Stock Exchange. No consideration was paid by the grantees for the grant of the pre-IPO share options.

The fair value of the pre-IPO share options granted using the Binominal Option Pricing Model was HK$1,883 million (equivalent to approximately US$243 million) which was measured by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

38. Share Incentive Schemes (Continued)

(c) Pre-IPO share option (Continued)

The key inputs into the model were as follows:

Share price	**HK$6.66**
Exercise price	**HK$6.20**
Option life	**10 years**
Expected volatility	**42%**
Risk-free rate	**2.06%**

Expected volatility was determined by using the historical volatility of the selected comparable comprises in the same industry.

The following table discloses details of the Group outstanding share options under the pre-IPO share option scheme and their movements during the year:

Option Type	Date of Grant	As at January 1, 2015	Lapsed	As at December 31, 2015	Exercised	Cancelled	Lapsed	As at December 31, 2016
Pre-IPO Share Option Scheme	July 10, 2014	583,495,555	19,045,799	564,449,756	2,648,000	6,628,349	5,540,379	549,633,028
Exercisable at the end of the year				56,444,976				135,831,297

The following share options granted under the scheme were exercised during the year:

Exercise date	Number of share options exercised	Share price at exercise date
October 27, 2016	2,388,000	HK$6.79
December 13, 2016	260,000	HK$6.70

Note: Each grantee shall be entitled to exercise Pre-IPO Share Option to subscribe up to 10%, 25%, 45%, 70% and 100% of total shares during the first to fifth years from the listing date.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$6.78 (2015: Nil).

For the year ended December 31, 2016, the Group recognised a share-based payments expense of US$47 million (2015: US$83 million) in relation to the pre-IPO share option scheme.

39. Acquisition of Additional Interest in Subsidiaries

For the year ended December 31, 2016. the Group acquired additional interests in certain existing PRC subsidiaries which mainly included the following:

On September 9, 2016, the Group acquired the remaining 25% equity interest in Shanghai Shuanghui Dachang Co., Ltd. ("Shuanghui Dachang") for a consideration of US$30 million and became a wholly-owned subsidiary of the Group after the acquisition. Shuanghui Dachang was principally engaged in manufacturing and sales of meat production.

40. Operating Lease Commitments

The Group as lessee

The Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 US$'million	2015 US$'million
Within one year	**57**	52
In the second to fifth year inclusive	**141**	137
After five years	**87**	93
	285	282

Operating leases payments represent rentals payable by the Group for certain of its warehouse and premises. Lease are negotiated for a lease term between 4 to 50 years. The Group does not have an option to purchase the leased assets upon the expiry of the lease period.

41. Capital Commitments

	2016 US$'million	2015 US$'million
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**73**	70

42. Pledge of Assets

The carrying amount of the assets of the Group pledged to banks for securing banking and trading facilities and loan from a third party granted to the Group is analysed as follows:

	2016 US$'million	2015 US$'million
Pledged bank balances	**12**	21

The remainder of pledged bank balances is pledged for worker's compensation insurance claims of US$5 million (2015: US$5 million) in U.S..

As at December 31, 2016 and December 31, 2015, the Group's material U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under certain banking facilities, and those obligations are secured by a first priority lien on certain property, including cash and cash equivalents, deposit accounts, inventory, and intellectual property.

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of the Group, has a securitisation facility that matures in December 2017. As part of the arrangement, all trade receivables of the major pork segment subsidiaries in Smithfield are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the consolidated financial statements of the Group and therefore, the trade receivables owned by SPV are included in the consolidated statement of financial position of the Group. However, the trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield if Smithfield were to become insolvent. As at December 31, 2016, the SPV held US$567 million (2015: US$627 million) of trade receivables and had no outstanding borrowings on the securitisation facility. No financial or other support to this SPV provided by the Group as at December 2016 and 2015.

43. Contingent Liabilities

The Group is subject to various laws and regulations administered by jurisdictional government entities. The Group had notices and inquiries from regulatory authorities and others asserting from time to time that the Group is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against the Group.

43. Contingent Liabilities (Continued)

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 the wholly owned subsidiary, Murphy-Brown LLC, alleging causes of action for nuisance and related claims. The complaints stemmed from the nuisance cases previously filed in the Superior Court of Wake County. On February 23, 2015, all 25 complaints were amended, one complaint was severed into two separate actions, and several additional plaintiffs were joined, bringing the total number of plaintiffs to 541. On June 29, 2015, the Court granted Murphy-Brown's motion to strike certain allegations in the complaints, and plaintiffs subsequently amended all 26 complaints pursuant to the Court's order. Ten plaintiffs dismissed their claims without prejudice. Murphy-Brown filed its answers and affirmative defenses to all 26 complaints on August 31, 2015, and the parties are engaging in discovery. During discovery, several additional plaintiffs dismissed their claims. The 26 currently pending complaints include claims on behalf of 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.

The Group's policy for establishing accruals and disclosures of contingent liabilities is set out in note 3. The Group established a provision estimating the expenses to defend against these and similar potential claims on the consolidated statement of financial position. 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 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 of the Group. 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. As at December 31, 2016, the provision on professional fee of US$18.5 million (2015: US$18.1 million) has been provided and included in accrued expenses and other payables (see note 30). The directors of the Company will continue to review whether an additional accrual is necessary and estimate the reasonably possible loss or range of loss for these matters.

44. Related Party Transactions

(a) The Group had the following significant transactions with associates/joint ventures during both years:

	2016 US$'million	2015 US$'million
Sales of goods to associates	**17**	13
Sales of goods to joint ventures	**8**	21
Interest income from joint ventures	**–+**	–
Purchase of goods from associates	**31**	37
Purchase of goods from joint ventures	**16**	16

(b) Balances with associates/joint ventures at the end of both years:

	2016 US$'million	2015 US$'million
Included in:		
Trade and bills receivables	**1**	1
Prepayment, deposits and other receivables	**4**	–
Trade payables	**1**	–
Accrued expenses and other payables	**7**	4

Note: The amounts due to associates are unsecured, interest-free and repayable on demand.

The amount due from joint ventures are unsecured, interest bearing at LIBOR+ 1.6% and repayable on demand.

(c) Compensation of key management personnel

Compensation of key management personnel and directors (represented by the directors' emoluments and the top five employee's emoluments) during the years is set out in Note 11.

+ Less than US$1 million.

45. Statement of Financial Position of the Company

	At December 31, 2016 US$'million	2015 US$'million
Non-current assets		
Interests in unlisted subsidiaries	**5,082**	5,055
Current assets		
Amounts due from subsidiaries	**119**	126
Prepayments, deposits and other receivables	**–+**	–+
Bank balances and cash	**1**	12
	120	138
Current liabilities		
Amounts due to subsidiaries	**274**	1
Other payables	**1**	1
Borrowings	**160**	198
	435	200
Net current liabilities	**(315)**	(62)
Total assets less current liabilities	**4,767**	4,993
Borrowings – non-current	**223**	916
Net assets	**4,544**	4,077
Capital and reserves		
Share capital	**1**	1
Share premium	**2,905**	2,902
Translation reserve	**61**	61
Other reserve	**888**	842
Retained profits	**689**	271
Total equity	**4,544**	4,077

+ Less than US$1 million.

45. Statement of Financial Position of the Company (Continued)

Movement in the Company's reserves

	Share capital US$'million	Share premium US$'million	Translation reserve US$'million	Other reserve US$'million	Retained profits US$'million	Total US$'million
At January 1, 2015	1	2,902	61	759	37	3,760
Profit and total comprehensive income for the year	–	–	–	–	234	234
Share-based payments	–	–	–	83	–	83
	–	–	–	83	234	317
At December 31, 2015	1	2,902	61	842	271	4,077
Profit and total comprehensive income for the year	–	–	–	–	748	748
Dividend paid (Note 13)	–	–	–	–	(330)	(330)
Share-based payments	–	–	–	47	–	47
Issue of shares upon exercise of share options	–+	3	–	(1)	–	2
	–+	3	–	46	418	467
At December 31, 2016	**1**	**2,905**	**61**	**888**	**689**	**4,544**

+ Less than US$1 million

46. Details of Non Wholly-Owned Subsidiaries That Have Material Non-Controlling Interests

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests at the end of reporting period:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 US$'million**	2015 US$'million	**2016 US$'million**	2015 US$'million
河南雙匯投資發展股份有限公司 Henan Shuanghui Investment & Development Co., Ltd. ("Shuanghui Development")	China	**26.75%**	26.74%	**202**	207	**673**	829
Individually immaterial subsidiaries with non-controlling interests				**–+**	2	**49**	111
				202	209	**722**	940

Summarised financial information in respect of Shuanghui Development that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At December 31,	
	2016 US$'million	2015 US$'million
Non-current assets	**2,061**	2,151
Current assets	**1,014**	1,372
Current liabilities	**(889)**	(788)
Non-current liabilities	**(15)**	(12)
Equity attributable to owners of Shuanghui Development	**2,046**	2,586
Non-controlling interests of Shuanghui Development's subsidiaries	**125**	138
Non-controlling interests of Shuanghui Development	**548**	691
	673	829

\+ Less than US$1 million.

46. Details of Non Wholly-Owned Subsidiaries That Have Material Non-Controlling Interests (Continued)

	Year ended December 31, 2016 US$'million	2015 US$'million
Revenue	**7,802**	7,114
Total expenses	**(7,116)**	(6,411)
Profit for the year and total comprehensive income for the year	**686**	703
Profit attributable to owners of the Company	**484**	496
Profit attributable to the non-controlling interests of Shuanghui Development's subsidiaries	**24**	26
Profit attributable to the non-controlling interests of Shuanghui Development	**178**	181
	686	703
Dividends paid to non-controlling interests of Shuanghui Development's subsidiaries	**56**	25
Net cash inflow from operating activities	**835**	918
Net cash inflow (outflow) from investing activities	**265**	(523)
Net cash outflow from financing activities	**(1,015)**	(473)
Net cash inflow (outflow)	**85**	(78)

47. Other Comprehensive Expense

Other reserve included the fair value of the share awards, remeasurement deficit of the defined benefit pension plans and fair value surplus (deficit) in cash flow hedge attributable to the Group.

	2016 US$'million	2015 US$'million
Other comprehensive expense includes:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement on defined benefit pension plans	**(49)**	(20)
Less: Income tax relating to defined benefit pension plans	**18**	8
	(31)	(12)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(251)**	(245)
Reclassification adjustment on translation reserve released on disposal of interest in an associate	**–**	36
Fair value change in cash flow hedge	**29**	(77)
Income tax relating to cash flow hedge	**(11)**	30
	(233)	(256)
Other comprehensive expense, net of income tax	**(264)**	(268)

48. Events After the End of the Reporting Period

Acquisition of Clougherty Packing LLC

On January 3, 2017, the Group completed the acquisition of Clougherty Packing LLC from Hormel Foods Corporation for US$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.

48. Events After the End of the Reporting Period (Continued)

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, the Group 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, the Group 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.

49. Principal Subsidiaries

Details of the Company's principal subsidiaries at December 31, 2016 and December 31, 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment/operation	Issued and fully paid share capital/registered capital	Attributable proportion of issued/registered capital held by the Company indirectly		Principal activities
			2016	2015	
Rotary Vortex Limited	Hong Kong	Ordinary shares – HK$33,883,520,411 (2015: HK$16,515,000,000)	**100.00%**	100.00%	Investment holding and trading
Shuanghui Development (Note 1)	China	Shares – RMB3,299,558,284 (2015: RMB3,300,867,672)	**73.25% (Note 4)**	73.26%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of packaging materials and meat products
Smithfield (Note 2)	U.S.	Note 3	**100.00%**	100.00%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of meat products

49. Principal Subsidiaries (Continued)

Note 1: This company is listed on the A Shares Market of the Shenzhen Stock Exchange.

Note 2: This company was listed on the New York Stock Exchange and was delisted from the stock exchange market on September 26, 2013, immediately after the acquisition by the Group and remained as a registrant under U.S. Securities and Exchange Commission up to December 7, 2016.

Note 3: The par value of the common shares of this subsidiary is zero.

Note 4: In 2012, a contractual condition was guaranteed by Shuanghui Development as a prerequisite for undergoing the asset restructuring. Shuanghui Development agreed all 23 construction-in-progress projects to be completed on or before December 31, 2014. As at December 31, 2014, one of the designated projects (200 metric tons low temperate packaged meat project held by a subsidiary of the Group, Shanghai Shuanghui Dah Chong Limited) has not yet completed or commenced operations. Accordingly, Shuanghui Development repurchased an aggregate of 1,309,388 shares of its own shares from its holding company, Rotary Vortex Limited, at the nominal consideration of RMB1.00 and cancelled the shares during the year ended December 31, 2016. After those transactions, the shareholding of the Company in Shuanghui Development reduced from 73.26% to 73.25%.

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

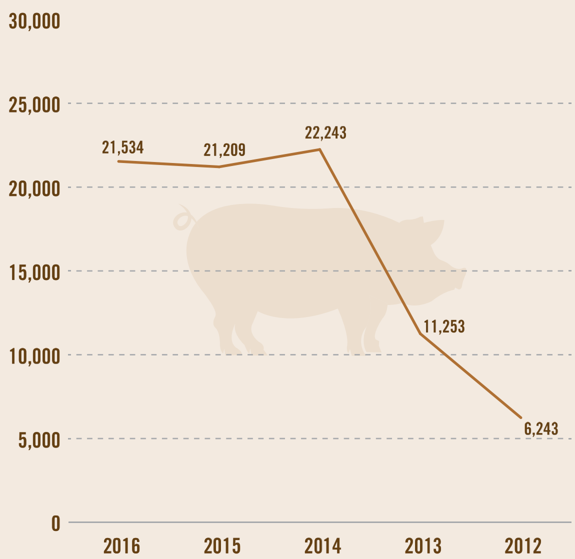
At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities of business	**Principal place**	**2016**	2015
Hog production	China	**3**	3
	United States	**5**	4
	Poland	**4**	4
	Romania	**2**	2
Manufacture, production and sales of fresh pork, packaged meats and ancillary products and services	China	**86**	84
	United States	**18**	17
	Poland	**2**	2
	Romania	**2**	2
Investment holding or inactive	Hong Kong	**1**	1
	China	**4**	6
	United States	**35**	37
	Poland	**22**	20
	British Virgin Islands	**3**	2
	Cayman Islands	**–**	5
	Luxembourg	**1**	1
	Malta	**1**	1
Others	United States	**21**	22
	Poland	**1**	1
	Romania	**3**	3
		214	217

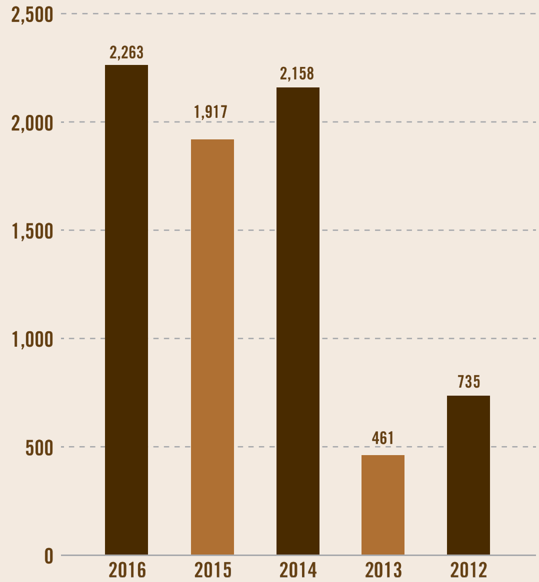
FIVE YEAR SUMMARY

As of and for the Year Ended December 31 US$ million (unless otherwise stated)	2016	2015	2014	2013	2012
Key operating data					
Hogs produced (million heads)	**19.2**	19.1	17.7	5.5	0.3
Hogs processed (million heads)	**49.3**	48.3	47.2	22.8	11.4
Packaged meats sold (million metric tons)	**3.2**	3.2	3.2	2.2	1.6
Key financial data					
Turnover	**21,534**	21,209	22,243	11,253	6,243
Turnover growth rate (%)	**1.5%**	-4.6%	97.7%	80.2%	14.4%
Operating profit	**1,788**	1,557	1,614	886	567
Operating profit margin (%)	**8.3%**	7.3%	7.3%	7.9%	9.1%
Profit before taxation	**1,703**	1,302	1,420	162	602
Taxation	**(465)**	(307)	(448)	(229)	(134)
Profit (loss) for the year	**1,238**	995	972	(67)	468
Profit (loss) for the year attributable to:					
– owners of the Company	**1,036**	786	766	(263)	325
– non-controlling interests	**202**	209	206	196	143
	1,238	995	972	(67)	468
Profit (loss) attributable to owners of the Company, before biological fair value adjustments	**1,014**	866	737	(289)	326
Basic earnings (loss) per share (US$ cents)	**7.58**	5.75	6.44	(2.62)	3.28
Total assets	**13,611**	14,301	14,720	14,156	3,497
Total liabilities	**(6,573)**	(7,598)	(8,670)	(11,018)	(947)
Net assets	**7,038**	6,703	6,050	3,138	2,550
Equity attributable to owners of the Company	**6,316**	5,763	5,130	2,275	1,789
Non-controlling interest	**722**	940	920	863	761
Total equity	**7,038**	6,703	6,050	3,138	2,550

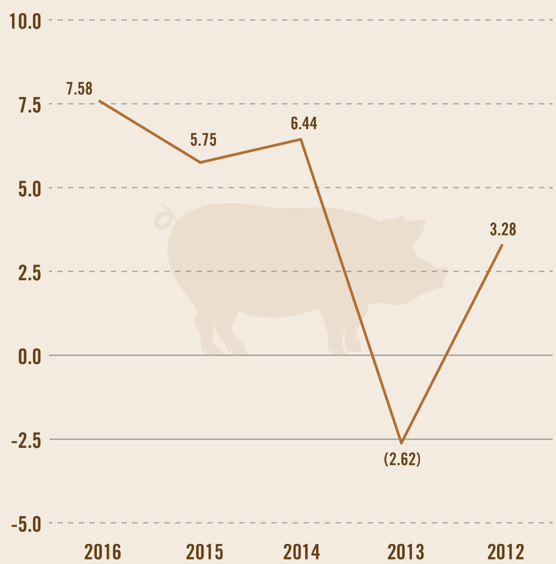
Turnover (US$ million)



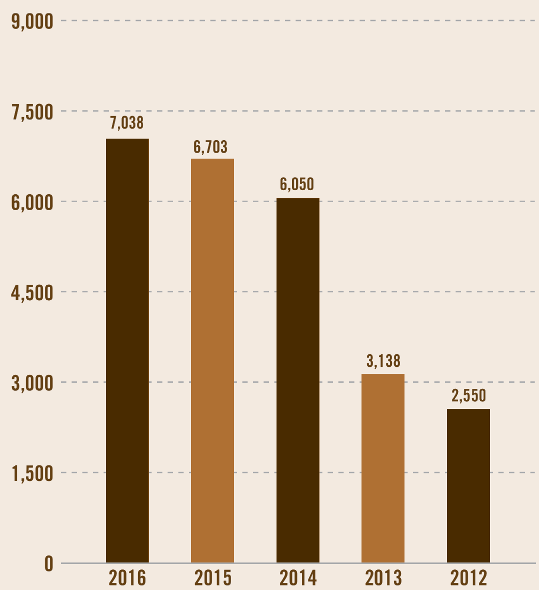
EBITDA (US$ million)



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



Total equity (US$ million)



"2010 Share Award Plan"	the share award plan adopted by the Company on November 26, 2010, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed Chang Yun to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "Directors' Report – 2010 Share Award Plan"
"2013 Share Award Plan"	the share award plan adopted by the Company on October 23, 2013, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed High Zenith to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "Directors' Report – 2013 Share Award Plan"
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company currently in force
"Board"	the board of Directors of the Company
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee
"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

"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 and Rich Matrix
"Director(s)"	the director(s) of the Company
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"EUR"	the Euro, the lawful currency of the member states of the European Union
"Fitch"	Fitch (Hong Kong) Limited or Fitch Ratings, Inc.
"GBP"	British Pounds, the lawful currency of the United Kingdom
"GCM"	Granjas Carroll de Mexico S. de R.L. de C.V.,a Mexican hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in GCM as a joint venture as of December 31, 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$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"kg"	kilogram
"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
"Moody's"	Moody's Investor Service Limited
"Norson"	Norson Holding, S. de R.L. de C.V., a Mexican meat products manufacturer and hog farming company incorporated under the laws of Mexico. The Company held 50% interest in Norson as a joint venture as of December 31, 2016
"PLN"	Polish Zloty, the lawful currency of the Republic of Poland
"pp"	percentage points
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on January 21, 2014 as amended on April 4, 2014, for the benefit of any director, employee, adviser, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Directors' Report – Pre-IPO Share Option Scheme"
"Prospectus"	the prospectus of the Company in relation to the Listing dated July 24, 2014
"Review Period"	the period from January 1, 2016 to December 31, 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
"Rotary Vortex"	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong on February 28, 2006 and an indirect wholly owned subsidiary of the Company

"S&P"	S&P Global Ratings
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shine B"	Shine B Holding I Limited, which was a limited liability company incorporated under the laws of BVI on March 20, 2006 until it was officially dissolved on July 8, 2015, and a former Shareholder of the Company
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on October 15, 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC, and as the context may require, all or any of its subsidiaries
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd. (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRC on August 29, 1994 and an indirect wholly owned subsidiary of the Company
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on July 25, 1997 and an indirect wholly owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on September 25, 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USDA"	U.S. Department of Agriculture
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

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双汇发展
SHUANGHUI DEVELOPMENT

Smithfield

This annual report is printed on environmental-friendly paper