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萬洲國際
WH GROUP

WH Group Limited
萬洲國際有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

HIGHLIGHTS

	2017	2016
Key operating data		
Hogs produced (thousand heads)	**20,226**	19,184
Hogs processed (thousand heads)	**53,782**	49,286
Packaged meats sold (thousand metric tons)	**3,285**	3,238

	2017		2016	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated)		*US$ million (unless otherwise stated)*	
Key financial data				
Revenue	**22,379**	**22,379**	21,534	21,534
Underlying EBITDA#	**2,348**	**2,371**	2,238	2,263
Underlying operating profit#	**1,861**	**1,861**	1,788	1,788
Underlying profit attributable to owners of the Company#	**1,090**	**1,097**	1,014	1,036
Underlying basic earnings per share# (US$ cents)	**7.50**	**7.54**	7.42	7.58
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05
Final dividend per share (HK$)	**0.22**	**0.22**	0.21	0.21
	0.27	**0.27**	0.26	0.26

The results of 2017 were adjusted by the non-recurrent and non-cash items as discussed in the overall results section of this announcement.

- Revenue increased by 3.9%
- Underlying operating profit increased by 4.1%
- Underlying profit attributable to owners of the Company, before biological fair value adjustments, increased by 7.5%

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2017.

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

OVERALL RESULTS

In 2017, revenue of the Group was US$22,379 million, up 3.9% as compared to 2016. Reported operating profit was US$1,583 million, down 11.5%. Disregarding any biological fair value adjustments, the reported profit for the year of 2017 was US$1,313 million, 8.0% higher than 2016; and reported profit attributable to owners of the Company grew 11.0% to US$1,126 million.

Our reported results this year included the following two non-recurrent and non-cash items: (1) a net benefit of US$314 million from the U.S. Tax Reform (as defined hereinafter); and (2) a share-based payment of US$278 million recognised for the fair value of the share award under the 2013 Share Award Plan (as defined hereinafter). Excluding such items, our underlying operating profit in 2017 was US$1,861 million, an increase of 4.1% over last year. Our underlying profit for the year before biological fair value adjustments was US$1,277 million, an increase of 5.0%. Our underlying profit attributable to owners of the Company before biological fair value adjustments was US$1,090 million, an increase of 7.5%.

To present our de facto operation this year, items indicated as underlying in the analysis below excluded the two aforesaid non-recurring and non-cash items.

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

China

China is the largest pork producer and consumption market in the world and the market is expected to expand further. Generally, the growth of the pork industry in China is largely dependent on the pace of its economic growth and improvement of people's living standard. Nevertheless, the short term trend is impacted by the industry cycle. According to the statistics of the National Bureau of Statistics of China, the total production of pork in 2017 was 53.4 million tons, an increase of 0.8% as compared to last year. The total production of hogs was 689 million heads, 0.5% higher than last year.

The pork prices in China are reflections of the supply and demand of hogs in the market. With reference to the statistics published by the Ministry of Agriculture of the People's Republic of China ("**MOA**"), the average hog price in China during the year was RMB15.4 (approximately US$2.3) per kilogram ("**kg**"), a reduction of 17.4% from last year. In 2017, hog prices started to come down since the beginning of the year and reached the lowest point of the year in June. The decline in hog prices was primarily due to the increase in supply as high level of profitability incentivised hog farmers to expand production. The descending hog prices improved the overall consumption of fresh pork but weakened the demand for importation of pork from foreign countries. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork in 2017 decreased by 24.9% year-on-year.

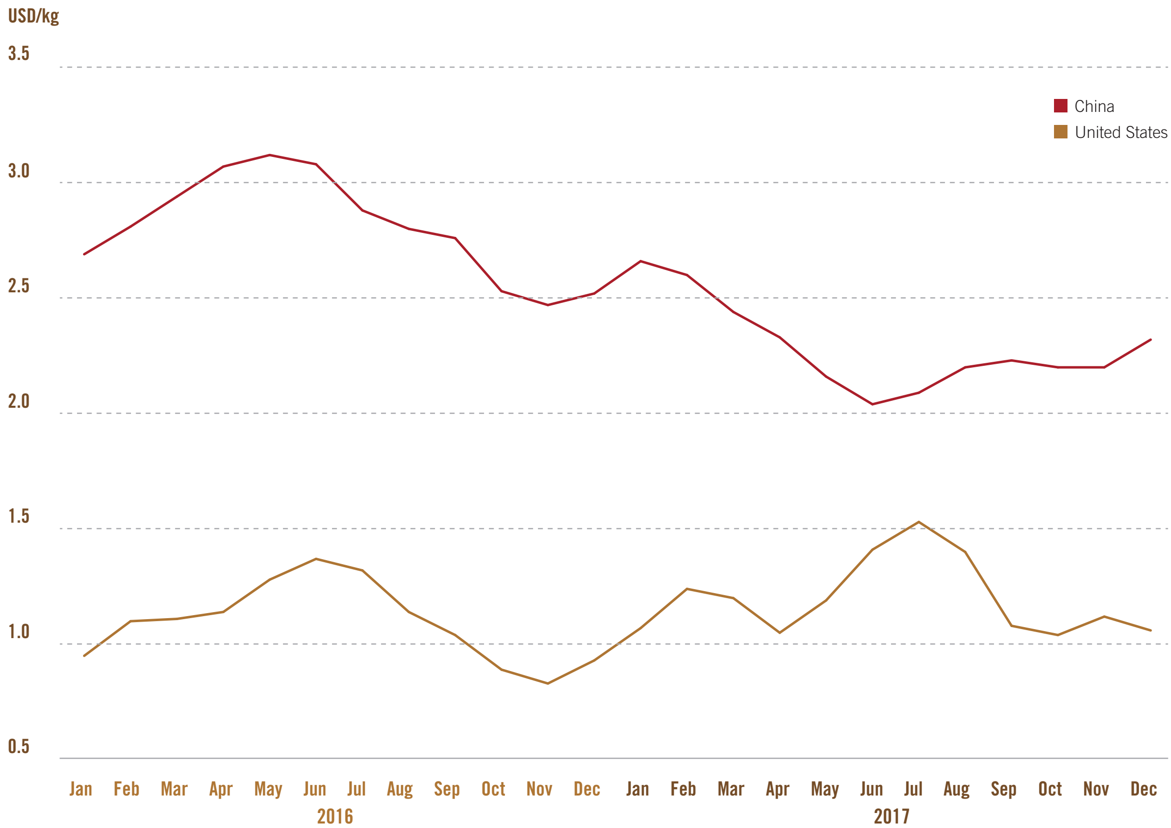
U.S.

U.S. is the second largest producer of pork worldwide. In contrast to the pork industry in China, the pork industry in U.S. is relatively mature and concentrated. As U.S. is also the largest pork exporter globally, the hog prices and pork values in U.S. are driven by the supply and demand of its domestic and export markets.

In 2017, overall animal protein production in U.S. was up, in which pork rose 2.6%, chicken rose 2.4% and beef rose 3.8%. Exports were strong during the year. According to United States Department of Agriculture ("**USDA**"), the export volume of pork, in terms of carcass weight equivalent, during the year of 2017 reached 5.6 billion pounds, an increase of 7.5% over the year of 2016, The increase was mainly contributed by the growth in exports to Mexico and South Korea. Exports to China, on the other hand, recorded a reduction. New slaughtering facilities were added to the industry which increased the total production capacity of the nation.

As a result, the average hog price during the year was US$1.2 per kg according to Chicago Mercantile Exchange ("**CME**"), an increase of 10.0% over the last year. The increase was mainly driven by the market expectation of higher demand for hogs caused by the additional slaughtering capacity. On the other hand, the pork values in U.S. increased by a lesser extent by 6.9% as the increase in meat supply partially offset the favourable impact of the robust demand for pork, which was supported by stable local consumption and strong exports.

Hog prices in China and U.S. during 2016 and 2017



Sources: MOA and CME

II. RESULTS OF OPERATIONS

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

	2017	2016	Change
	US$ million		*%*
Revenue[1]			
– Packaged meats	**11,777**	11,074	6.3
– Fresh pork	**9,526**	9,178	3.8
– Hog production	**572**	844	(32.2)
– Others[2]	**504**	438	15.1
	22,379	21,534	3.9
Underlying operating profit/(loss)			
– Packaged meats	**1,435**	1,475	(2.7)
– Fresh pork	**547**	545	0.4
– Hog production	**56**	(40)	N/A
– Others[2][3]	**(177)**	(192)	(7.8)
	1,861	1,788	4.1

Notes:

(1) Revenue refers to net external sales.

(2) Others revenue primarily represents sales of ancillary products and services. Others underlying operating loss includes certain corporate expenses.

(3) Underlying operating profit for our others segment in 2017 excludes the share-based payment of US$278 million relating to our 2013 Share Award Plan.

The packaged meats segment has always been our core business. It accounted for 52.6% of the Group's revenue in 2017 (2016: 51.4%). Its contribution to the Group's underlying operating profit was 77.1% in 2017 (2016: 82.5%).

Geographically speaking, our operations in China contributed 33.3% and 43.1% of the revenue and underlying operating profit of the Group in 2017 respectively (2016: 36.0% and 46.0%). Contribution of our operation in U.S. to the revenue and underlying operating profit of the Group in 2017 were 59.3% and 49.6% respectively (2016: 57.4% and 49.7%). The rest of the revenue and underlying operating profit of the Group came from our operations in Europe.

Packaged Meats

	2017	2016	Change
	US$ million		*%*
Revenue			
China	**3,312**	3,344	(1.0)
U.S.	**7,807**	7,123	9.6
Europe	**658**	607	8.4
	11,777	11,074	6.3
Operating profit			
China	**692**	725	(4.6)
U.S.	**726**	714	1.7
Europe	**17**	36	(52.8)
	1,435	1,475	(2.7)

Sales volume of our packaged meats increased by 1.5% year-on-year to 3,285 thousand metric tons in 2017. In China, our sales volume reduced by 1.4% as we were still in the process of transformation. On a positive note, our new products and new channels were performing well. In U.S., our sales volume grew by 3.2%. The increase was brought by the inclusion of Farmer John in our product portfolio as a result of the Acquisition of Clougherty (as defined hereinafter). In Europe, the volume of our packaged meats sold was 10.3% higher than last year. The increase was largely attributable to the organic growth and supplemented by the Acquisition of Pini (as defined hereinafter). Our strategy is to achieve better growth in Europe by production capacity expansion and product innovation.

Revenue of our packaged meats in 2017 was US$11,777 million, an increase of 6.3% as compared to 2016. The increase was mainly driven by the higher revenue in U.S. and Europe due to volume expansion. We also achieved higher sale prices in U.S. as compared to last year because of the soaring bacon price. Unlike U.S. and Europe, revenue in China reported a slight decline. The decline was wholly caused by the depreciation of local currency. Disregarding the adverse effect generated from the exchange rate applied in reporting the RMB business in US$, revenue in China increased by 0.7% notwithstanding the decrease in sales volume.

Operating profit of our packaged meats this year was down by 2.7% to US$1,435 million as operating profit in both China and Europe decreased as a result of higher raw material costs. In China, despite the descending hog prices, costs of many other raw materials such as chicken meat, sugar, packaging materials were relatively high during the year. To maintain a stable operating profit margin, we managed our raw material costs through disciplined purchase strategy. The deployment of imported meat in the production of packaged meats is also our effective measure to control the raw materials costs. In Europe, high hog prices drove the raw material costs up. Meanwhile, our operating profit was also impacted by certain integration costs caused by the Acquisition of Pini. In contrast, operating profit in U.S. grew by 1.7% as the increase in sales prices, particularly for bacon and smoked sausage, outpaced their corresponding costs.

Fresh Pork

	2017	2016	Change
	US$ million		%
Revenue			
China	**3,888**	4,194	(7.3)
U.S.	**4,961**	4,441	11.7
Europe	**677**	543	24.7
	9,526	9,178	3.8
Operating profit/(loss)			
China	**103**	98	5.1
U.S.	**433**	472	(8.3)
Europe	**11**	(25)	N/A
	547	545	0.4

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 from time to time in order to maximize the profits.

Total number of hogs processed in 2017 was 53,782 thousand heads, an increase of 9.1% over 2016. In China, market demand was supported by the descending pork prices. Hog processing volume increased by 15.5% as we enlarged our sales network. We also brought about the synergy of distributing both local and imported pork products. Through certain strategic collaboration schemes, our sales volume in supermarkets, authorised stores and catering channels increased considerably. Our strategy is to capture more market share by continuous volume growth as we keep improving the utilization of our existing facilities. In U.S., our hog processing volume was 8.0% higher than that of last year as a result of the Acquisition of Clougherty and expansion of market demand. In Europe, the level of hogs processed remained stable at approximately 5 million heads.

External sales volume of fresh pork during the year was 4,489 thousand metric tons, 8.2% more than that of last year. The volume increased in both China and U.S. at 11.6% and 5.2% respectively, while the sales volume in Europe was similar to last year. In U.S., even though the export volume to China reduced in 2017, the total export volume went up by 9.0% over last year due to strong sales to Mexico and South Korea.

Fresh pork revenue grew 3.8% to US$9,526 million in 2017 as revenue in U.S. and Europe increased. Revenue in U.S. rose as both volume and prices went up during the year. Revenue in Europe rose as pork prices ascended. Unlike U.S. and Europe, revenue in China declined as the impact of the decrease in pork prices outweighed the increase in sales volume.

Our operating profit of fresh pork remained stable at US$547 million in 2017. In China, our operating profit grew by 5.1% as we took the opportunity of better consumer demand when pork prices were sloping downward to expand our volume and maximise profitability. On the other hand, operating profit in U.S. decreased. The decrease was primarily due to the compression in the spread between hog prices and pork prices comparing to 2016. Having said that, our profit margin also benefited from various improvement plans such as standardization of meat cuts. In Europe, 2017 was our first profitable year due to favourable pricing resulting from strong market demand.

Hog Production

	2017	2016	Change
	US$ million		*%*
Revenue			
China	**11**	14	(21.4)
U.S.	**510**	794	(35.8)
Europe	**51**	36	41.7
	572	844	(32.2)
Operating profit/(loss)			
China	**23**	38	(39.5)
U.S.	**(68)**	(144)	N/A
Europe	**101**	66	53.0
	56	(40)	N/A

In 2017, hog production volume increased by 5.4% to 20,226 thousand heads. The vast majority of our hog production business is in U.S. and Europe. Revenue decreased by 32.2% to US$572 million as hedging gains on hogs reduced and fewer hogs were sold externally in U.S.. An operating profit of US$56 million (2016: loss of US$40 million) was recorded as our operation in U.S. reduced its operating loss by US$76 million and our operation in Europe increased its operating profit by US$35 million during the year. The improvement of results in both U.S. and Europe was primarily driven by the rise of hog prices in the local markets.

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 finance company and a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceutical materials. In 2017, revenue generated from our other businesses amounted to US$504 million, a 15.1% increase as compared to 2016.

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. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment located in China, U.S. and part of Europe. As at the year end of 2017, we owned an annual production capacity of packaged meats of approximately 2.34 million, 1.76 million and 0.20 million metric tons with utilisation rates of 72.8%, 81.7% and 126.9% in China, U.S. and Europe, respectively. Annual production capacity of fresh pork were approximately 23.68 million, 33.07 million and 5.51 million heads in China, U.S. and Europe and their utilisation rates were 60.9%, 103.0% and 91.8%, respectively.

The capacity stated above included the additional capacity introduced by our acquisitions in 2017. The Acquisition of Clougherty brought in approximately 1.92 million heads of processing capacity and 0.09 million metric tons of packaged meats production capacity to the Group. The completed portion of the Acquisition of Pini also brought in approximately 0.07 million metric tons in total of packaged meats production capacity to the Group.

IV. CORPORATE SOCIAL RESPONSIBILITY

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

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

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

		2017	2016	Change
Revenue growth rate	%/pp	**3.9**	1.5	2.4
Underlying EBITDA (before biological fair value adjustments) ratio margin	%/pp	**10.5**	10.4	0.1
Underlying operating profit margin	%/pp	**8.3**	8.3	0.0
– Packaged meat products	%/pp	**12.2**	13.3	(1.1)
– Fresh pork	%/pp	**4.2**	4.5	(0.3)
– Hog production	%/pp	**1.6**	(1.2)	2.8
Per unit operating profit (loss)				
– Packaged meat products	US$ per metric ton	**436.9**	455.4	(18.5)
– Fresh pork	US$ per head	**10.2**	11.1	(0.9)
– Hog production	US$ per head	**2.8**	(2.1)	4.9
Underlying net profit (before biological fair value adjustments) margin	%/pp	**5.7**	5.6	0.1
Current ratio	times	**1.6**	1.5	0.1
Cash conversion cycle	days	**31.5**	31.6	(0.1)
Debt to equity ratio	%/pp	**38.9**	40.9	(2.0)
Debt to underlying EBITDA (before biological fair value adjustments) ratio	times	**1.4**	1.3	0.1
Return on total assets	%/pp	**9.1**	8.9	0.2
Return on equity	%/pp	**16.5**	17.2	(0.7)

II. ANALYSIS OF CAPITAL RESOURCES

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US$1,371 million as at December 31, 2017, which were held primarily in Renminbi ("**RMB**"), U.S. Dollar, Polish Zloty ("**PLN**") and Romanian Lei ("**RON**") (2016: US$1,139 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.6:1 as at December 31, 2017 (2016: 1.5:1). The aggregate amount of unutilised banking facilities as at December 31, 2017 was US$2,471 million (2016: US$2,720 million).

Cash flows

We fund our operations principally from cash generated by our operations, bank loans and other debt instruments and equity financing from investors. Our cash requirements related 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 2017, our net cash from operating activities amounted to US$1,512 million (2016: US$1,850 million). The decrease was mainly due to the net payments for income taxes in U.S. compared to net receipts in last year. Our net cash used in investing activities in 2017 amounted to US$784 million (2016: US$141 million). The change was mainly resulted from our payments for acquisitions and less receipts from available-for-sale investments upon their maturity as compared to last year. Our net cash from financing activities in 2017 amounted to US$591 million (2016: net cash used amounted to US$1,673 million). The change was mainly attributable to the repayment of a substantial amount of borrowings in last year and the increase in our borrowings in this year. After all, our net increase in cash and cash equivalents was US$137 million in 2017 (2016: US$36 million).

Major Financing Activities

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 refinanced an inventory-based revolving credit facility, entering into a credit agreement, which consists of a US$1,000 million senior unsecured revolving facility and a US$500 million 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 fund the repurchase of an aggregate US$1,786 million principal amount of senior unsecured notes due 2017, 2018, 2021 and

2022 ("**US$1,400 million Refinancing Plan**"). The US$1,400 million Refinancing Plan is expected to reduce future finance costs and improve debt maturity profile.

On October 3, 2017, the Group further issued US$400 million aggregate principal amount of 2.650% senior unsecured notes due 2021 to repay primarily its outstanding borrowings on the New Credit Facility.

Debt Profile

As at the dates indicated below, we had the following outstanding interest-bearing bank and other borrowings:

	As at December 31, 2017 *US$ million*	As at December 31, 2016 *US$ million*
Borrowings by nature		
Senior unsecured notes	**1,785**	1,882
Bank borrowings	**1,164**	833
Medium term notes	**154**	144
Loans from third parties	**3**	3
Bank overdrafts	**92**	16
	3,198	2,878
Borrowings by geographical region		
U.S.	**2,246**	1,912
China	**847**	896
Europe	**105**	70
	3,198	2,878

The Group's total principal amount of outstanding borrowings as at December 31, 2017 was US$3,215 million (as at December 31, 2016: US$2,864 million). The maturity profile is analyzed as follows:

	Total
In 2018	28%
In 2019	4%
In 2020	14%
In 2021	14%
In 2022	21%
In 2027	19%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 73.3% of our borrowings was denominated in US$ as at December 31, 2017 (as at December 31, 2016: 87.0%). The rest of our borrowings was denominated in RMB, RON, Hong Kong Dollar, PLN and Euro.

As at December 31, 2017, 96.6% of our borrowings were unsecured (as at December 31, 2016: 96.8%). 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 default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the year.

Leverage Ratios

As at December 31, 2017, 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 38.9% and 22.2% respectively (as at December 31, 2016: 40.9% and 24.7% respectively). Our debt to underlying EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to underlying EBITDA before biological fair value adjustments) and net debt to underlying EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to underlying EBITDA, before biological fair value adjustments) as at December 31, 2017 were 1.4:1 and 0.8:1 respectively (as at December 31, 2016: 1.3:1 and 0.8:1 respectively).

Finance Costs

Our finance costs increased from US$183 million in 2016 to US$198 million in 2017. The increase was mainly the net results of a loss on debt extinguishment of US$70 million and the subsequent interest savings of approximately US$40 million related to the US$1,400 million Refinancing Plan. As at December 31, 2017, the average interest rate of our total borrowings was 3.4% (as at December 31, 2016: 5.2%).

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. Our Long-Term Foreign-Currency Issuer Default Rating ("**IDR**") and senior unsecured rating are BBB+ according to Fitch. Our long-term corporate credit rating is BBB according to Standard & Poor's. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings is stable.

The rating of our wholly-owned subsidiary, Henan Luohe Shuanghui Industry Group Co., Ltd, 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 Foods, Inc. ("**Smithfield**"), Fitch assigned to it an IDR of BBB with a stable outlook. According to Standard & Poor's, the corporate credit rating of Smithfield is BBB- and the outlook is stable. On March 6, 2018, Moody's upgraded the corporate family rating of Smithfield to Ba1 from Ba2. The rating outlook is stable.

* *For identification purposes only*

III. TAXATION

We operate in multiple taxing jurisdictions, mainly including China, U.S., Hong Kong, Poland and Romania, and are subject to their changes in the tax policy, tax laws and relevant regulations.

The enactment of the Tax Cuts and Jobs Act in U.S. on December 22, 2017 ("**U.S. Tax Reform**") led to the re-measurement of our net deferred tax liabilities at the new federal statutory tax rate of 21% and the recognition of an obligation on the deemed repatriation of the historical earnings from and cash held abroad by our U.S. subsidiaries. Based on our current interpretation of U.S. Tax Reform, the net impact of such items resulted in a one-time non-cash benefit of US$314 million in 2017. We consider that the lower statutory tax rate in U.S. will continue to benefit our operations in U.S. and the Group as a whole. Our effective tax rate for 2018 is now estimated to be lower than that of 2017 on an underlying basis.

IV. CAPITAL EXPENDITURES

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

In 2017, capital expenditures amounted to US$563 million (2016: US$451 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2017	2016
	US$ million	*US$ million*
China	**67**	80
U.S.	**437**	306
Europe	**59**	65
	563	451

In China, our capital expenditures for the year were mostly related to the building of new production facility in Shenyang and renovation of old production facilities in Qingyuan and Dezhou. In U.S., our capital expenditures for the year were primarily related to construction of a new distribution centre, plant and hog farm improvement projects, as well as the upgrade of our ERP system. In Europe, our capital expenditures for the year were mainly to expand capacity and to optimize the existing facilities.

V. HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at December 31, 2017, we had approximately 110 thousand employees in total, in which approximately 57 thousand employees were with our China operation, approximately 41 thousand and 12 thousand employees were with our U.S. and European operations respectively. The Group also provides training programs for the employees with a view to constantly improving their skills and knowledge. It is also our policy to ensure that remuneration for employees is appropriate and aligns with the goals, objectives and performances of the Group. Total remuneration expenses in 2017 amounted to US$3,669 million (2016: US$3,210 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 payments as well as retirement benefits scheme. The increase in total remuneration expenses for the year was primarily due to the one-time charge in relation to the share-based payment of US$278 million recognised for the share award under the share award plan adopted by the Company on October 23, 2013 (the "**2013 Share Award Plan**"). Further information on the share-based payments of the Company will be available in the annual report of the Company for the year ended December 31, 2017.

VI. BIOLOGICAL ASSETS

As at December 31, 2017, we had a total of 12,337 thousand hogs, consisting of 11,231 thousand live hogs and 1,106 thousand breeding stock, an increase of 1.9% from 12,103 thousand hogs as at December 31, 2016. We also had a total of 4,762 thousand poultry, consisting of 4,245 thousand broilers and 517 thousand breeding stock. The fair value of our biological assets was US$1,171 million as at December 31, 2017, as compared to US$1,119 million as at December 31, 2016.

Our results have been, and we expect they will continue to be, affected by changes in the fair value of our biological assets. Fair value of our biological assets is 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.

In 2017, the net impact of biological fair value adjustments on our profit was a profit in the amount of US$6 million, as compared to US$22 million of last year.

VII. KEY INVESTMENT INTERESTS

Acquisition of Subsidiaries

On January 3, 2017, the Group completed the acquisition of an integrated producer and processor of pork products in U.S. which operates various brands including "Farmer John" ("**Acquisition of Clougherty**"). The Acquisition of Clougherty expands and strengthens the Group's vertically integrated supply chain with existing profitable fresh pork and packaged meats businesses. As the Farmer John brand is the leading branded bacon and fresh sausage in California, the Acquisition of Clougherty also provides the Group with an immediate entry into the U.S. West Coast market and further solidifies the Group's image as a premium pork products producer and processor.

On June 1, 2017, the Group completed the acquisitions of three meat companies in Poland which comprised of a meat processing and packaging plant, a case ready meat plant and an investment project in chicken processing which is currently under development. On July 28, 2017, the Group further acquired 33.5% and agreed to acquire the remaining 66.5% interest (conditional upon approval from regulatory authorities) in a hog slaughterhouse in Poland ("**Acquisition of Pini**"). The Acquisition of Pini aligns with the strategic growth plans of the Group by strengthening its vertically-integrated supply chain in resourceful regions and increasing its production of high-quality packaged meats products. It is expected to help our business in Poland to become more competitive in Europe and globally.

On June 22, 2017, the Group completed the acquisition of 100% equity interest in a biopharmaceutical company ("**Acquisition of Celsus**"). The Acquisition of Celsus will form part of the Group's new bioscience group, a strategic platform to leverage by-products from the meat production process for development of pharmaceuticals, nutraceuticals and medical device solutions.

In 2013, Smithfield formed a joint venture with a leading U.S. pre-rigor sausage producer and processor which has operations in Iowa and Missouri, and succeeded in growing our packaged meats business and brands. On August 14, 2017, the Group obtained its remaining 50% equity interest ("**Acquisition of Kansas City Sausage**"). The Acquisition of Kansas City Sausage enhances our vertically integrated supply chain and further harmonizes our live production and processing capabilities. We will strengthen our focus on branded pre-rigor pork products and leverage our expansive sales and distribution network to bring such premium offerings to more consumers.

On September 25, 2017, the Group entered into an agreement with two companies in Romania which operate three packaged meats manufacturing facilities, five distribution centers and related assets to acquire their 100% of share capital. The two companies manufacture and sell branded, packaged meats to a nationwide distribution network. ("**Acquisition of Elit & Vericom**"). We expect the Acquisition of Elit & Vericom to give our Group a leading position in the Romanian packaged meats market with a branded portfolio of products sold in the higher margin traditional channel. The transaction was completed in January 2018.

Mexican Joint Ventures

The Group has joint venture interests in two pork companies in Mexico, Granjas Carroll de Mexico ("**GCM**") and Norson Holdings ("**Norson**"). GCM sells live hogs into the Mexico City market, one of the largest pork consumption markets in the world. Norson primarily produces hogs for use in its fresh pork operations. As at December 31, 2017, GCM and Norson had in aggregate approximately 136 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. In 2017, share of profit from the Mexican joint ventures was US$14 million (2016: US$25 million). It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

VIII. CONTINGENT LIABILITIES

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

IX. KEY RISKS AND THEIR MANAGEMENT

Risk Management

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. Risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2017, the Group conducted two risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management (the "**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group are effectively in place.

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 revenue is primarily driven by the sale of packaged meats and fresh pork and, to a lesser degree, sales of hogs to third parties. Significant price fluctuations in these commodities affect our results.

In China, we 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., our vertically integrated supply chain helps the natural hedge of commodities price changes. These commodities are also 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. 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 Risks

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

Interest Rate Risks

Our borrowings carry fixed or floating interest rates. At December 31, 2017, approximately 80.2% of our borrowings (other than bank overdrafts) were at fixed interest rates (2016: 82.4%). According to different market conditions, we monitor and regulate the debt portfolio of the Group from time to time and enter into interest rate swap contracts as needed to manage and hedge our interest rate exposure.

PROSPECTS

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

In China, we will enhance the optimisation of our product portfolio, develop our sales channels and increase our investment in marketing to grow our packaged meats volume. We will also expand our market share in hog slaughtering to capture the opportunity brought by industry consolidation and our built facilities. In the U.S., we continue to focus on the realization of the full value of our vertically integrated business. We will build stronger consumer brands and improve operating efficiency to achieve better margins. In Europe, we endeavour to integrate the newly acquired businesses and upgrade the existing businesses to enlarge scale and enhance profitability.

As a consumer goods company, branded packaged meats will continue to be our core business. Coupled with our stringent quality control and food safety systems, we will assure customers with high quality products. We will also strive to strengthen our competitiveness globally through disciplined acquisitions. We believe that our relentless pursuit of our strategies will lead to sustainable growth, solidify our global leadership and create long-term value for our shareholders, employees and communities.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended December 31, 2017, which have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

		2017			2016		
	Notes	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Revenue	*3*	**22,379**	**–**	**22,379**	21,534	–	21,534
Cost of sales		**(17,766)**	**(295)**	**(18,061)**	(17,182)	(145)	(17,327)
Gross profit		**4,613**	**(295)**	**4,318**	4,352	(145)	4,207
Distribution and selling expenses		**(1,930)**	**–**	**(1,930)**	(1,794)	–	(1,794)
Administrative expenses		**(823)**	**–**	**(823)**	(748)	–	(748)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**305**	**305**	–	180	180
Gain (loss) arising from changes in fair value less costs to sell of biological assets		**–**	**13**	**13**	–	(10)	(10)
Other income	*4*	**113**	**–**	**113**	107	–	107
Other gains and losses	*5*	**7**	**–**	**7**	(40)	–	(40)
Other expenses	*6*	**(326)**	**–**	**(326)**	(49)	–	(49)
Finance costs	*7*	**(198)**	**–**	**(198)**	(183)	–	(183)
Share of profits of associates		**8**	**–**	**8**	8	–	8
Share of profits of joint ventures		**14**	**–**	**14**	25	–	25
PROFIT BEFORE TAXATION	*8*	**1,478**	**23**	**1,501**	1,678	25	1,703
Taxation	*9*	**(165)**	**(17)**	**(182)**	(462)	(3)	(465)
PROFIT FOR THE YEAR		**1,313**	**6**	**1,319**	1,216	22	1,238

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended December 31, 2017

		2017			2016		
	Notes	**Results before biological fair value adjustments** ***US$'million***	**Biological fair value adjustments** ***US$'million***	**Total** ***US$'million***	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Other comprehensive income (expense) for the year:							
Items that will not be reclassified subsequently to profit or loss:							
– remeasurement on defined benefit pension plans				**(75)**			(31)
– remeasurement on deferred tax assets related to amounts recorded in accumulated other comprehensive income (expense)				**(30)**			–
				(105)			(31)
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				**333**			(251)
– fair value change in cash flow hedge				**(11)**			18
				322			(233)
Other comprehensive income (expense) for the year, net of tax				**217**			(264)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**1,536**			974
Profit for the year attributable to							
– owners of the Company				**1,133**			1,036
– non-controlling interests				**186**			202
				1,319			1,238
Total comprehensive income for the year attributable to							
– owners of the Company				**1,301**			827
– non-controlling interests				**235**			147
				1,536			974
EARNINGS PER SHARE	*11*						
– Basic (US$ cents)				**7.79**			7.58
– Diluted (US$ cents)				**7.76**			7.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2017

	Notes	**2017** **US$'million**	2016 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**5,037**	4,529
Prepaid lease payments		**197**	195
Biological assets	*13*	**181**	186
Goodwill		**1,838**	1,784
Intangible assets		**1,742**	1,681
Interests in associates		**155**	62
Interests in joint ventures		**140**	119
Other receivables		**41**	47
Available-for-sale investments		**7**	5
Pledged bank deposits		**5**	8
Deferred tax assets		**58**	28
Other non-current assets		**191**	124
		9,592	8,768
CURRENT ASSETS			
Biological assets	*13*	**990**	933
Inventories	*14*	**1,905**	1,678
Trade and bills receivables	*15*	**989**	793
Prepayments, deposits and other receivables		**222**	228
Prepaid lease payments		**5**	5
Taxation recoverable		**115**	16
Pledged/restricted deposits		**69**	51
Bank balances and cash		**1,371**	1,139
		5,666	4,843
CURRENT LIABILITIES			
Trade and bills payables	*16*	**1,076**	854
Accrued expenses and other payables	*17*	**1,472**	1,422
Taxation payable		**50**	36
Borrowings	*18*	**809**	995
Bank overdrafts	*18*	**92**	16
		3,499	3,323
NET CURRENT ASSETS		**2,167**	1,520
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,759**	10,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At December 31, 2017

	Notes	**2017** **US$'million**	2016 *US$'million*
NON-CURRENT LIABILITIES			
Borrowings	*18*	**2,297**	1,867
Other payables	*17*	**199**	162
Obligations under finance leases		**23**	23
Deferred tax liabilities		**639**	887
Deferred revenue		**11**	8
Pension liability and other retirement benefits		**368**	303
		3,537	3,250
Net assets		**8,222**	7,038
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**7,444**	6,315
Equity attributable to owners of the Company		**7,445**	6,316
Non-controlling interests		**777**	722
TOTAL EQUITY		**8,222**	7,038

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

	2017	2016
	US$ million	*US$ million*
Net cash from operating activities	**1,512**	1,850
Net cash used in investing activities	**(784)**	(141)
Net cash used in financing activities	**(591)**	(1,673)
Net increase in cash and cash equivalents	**137**	36
Effect of foreign exchange rate changes	**19**	(38)
Cash and cash equivalents at January 1	**1,123**	1,125
Cash and cash equivalents at December 31	**1,279**	1,123
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,371**	1,139
Bank overdrafts	**(92)**	(16)
	1,279	1,123

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended December 31, 2017

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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 Company acts as an investment holding company. The consolidated financial information of the Company for the year ended December 31, 2017 comprises the Company and its entities (including structural entities controlled by the Group) (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in production and sales of packaged meats and fresh pork as well as hog production.

The consolidated financial information have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial information has been prepared under the historical cost convention, except for biological assets, certain non-current assets and derivatives financial assets and liabilities which have been measured at fair value. These financial information are presented in United States Dollar ("US$") and all values are rounded to the nearest million ("US$'million") except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following revised IFRSs for the first time for the current year's financial information.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on this financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

Revenue 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:

	2017	2016
	US$'million	*US$'million*
Packaged meats	**11,777**	11,074
Fresh pork	**9,526**	9,178
Hog production	**572**	844
Others	**504**	438
	22,379	21,534

Segment information

The Group determines its operating segments based on the reports reviewed by the executive directors who are also the chief operating decision makers that are used to make strategic decisions. The Group's reportable segments, which are also the operating segments, are classified based on their locations including China, U.S. and Europe and the nature of operations as (i) packaged meats, (ii) fresh pork, (iii) hog production and (iv) others.

The details of the Group's business activities 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, sales of flavouring ingredients and internally-produced packaging materials, as well as operating a finance company, retail business and biopharmaceuticals, retail of meat related products, and corporate expenses incurred by the Group.

Each reportable segment derives its revenue 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 of associates and joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

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

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

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

	For the year ended December 31, 2017				
	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	**3,312**	**4,491**	**75**	**456**	**8,334**
Less: Inter-segment revenue	**–**	**(603)**	**(64)**	**(221)**	**(888)**
Revenue	**3,312**	**3,888**	**11**	**235**	**7,446**
Reportable segment profit (loss)	**692**	**103**	**23**	**(293)**	**525**
The United States of America ("U.S.")					
Gross segment revenue	**7,810**	**7,916**	**2,854**	**–**	**18,580**
Less: Inter-segment revenue	**(3)**	**(2,955)**	**(2,344)**	**–**	**(5,302)**
Revenue	**7,807**	**4,961**	**510**	**–**	**13,278**
Reportable segment profit (loss)	**726**	**433**	**(68)**	**(168)**	**923**
Europe					
Gross segment revenue	**696**	**1,143**	**636**	**354**	**2,829**
Less: Inter-segment revenue	**(38)**	**(466)**	**(585)**	**(85)**	**(1,174)**
Revenue	**658**	**677**	**51**	**269**	**1,655**
Reportable segment profit	**17**	**11**	**101**	**6**	**135**
Total					
Gross segment revenue	**11,818**	**13,550**	**3,565**	**810**	**29,743**
Less: Inter-segment revenue	**(41)**	**(4,024)**	**(2,993)**	**(306)**	**(7,364)**
Revenue	**11,777**	**9,526**	**572**	**504**	**22,379**
Reportable segment profit (loss)	**1,435**	**547**	**56**	**(455)**	**1,583**
Net unallocated income					**71**
Biological fair value adjustments					**23**
Finance costs					**(198)**
Share of profits of associates					**8**
Share of profits of joint ventures					**14**
Profit before taxation					**1,501**

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the year ended December 31, 2016				
	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Gross segment revenue	3,344	4,757	92	394	8,587
Less: Inter-segment revenue	–	(563)	(78)	(191)	(832)
Revenue	3,344	4,194	14	203	7,755
Reportable segment profit (loss)	725	98	38	(38)	823
U.S.					
Gross segment revenue	7,125	7,029	2,702	–	16,856
Less: Inter-segment revenue	(2)	(2,588)	(1,908)	–	(4,498)
Revenue	7,123	4,441	794	–	12,358
Reportable segment profit (loss)	714	472	(144)	(154)	888
Europe					
Gross segment revenue	652	896	518	309	2,375
Less: Inter-segment revenue	(45)	(353)	(482)	(74)	(954)
Revenue	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 revenue	(47)	(3,504)	(2,468)	(265)	(6,284)
Revenue	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.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

4. OTHER INCOME

	2017	2016
	US$'million	*US$'million*
Government subsidy directly credited to income	**47**	63
Interest income	**12**	10
Income on sales of raw materials	**9**	9
Rental income	**7**	6
Others	**38**	19
	113	107

5. OTHER GAINS AND LOSSES

	2017	2016
	US$'million	*US$'million*
Gain on non-qualified retirement plan assets	**14**	5
Gain on maturity of available-for-sale investments	**8**	14
Gain on disposal of a subsidiary	**4**	–
Gain (loss) on disposal of property, plant and equipment	**8**	(16)
Impairment loss on other non-current assets	**(13)**	–
Impairment loss recognised in respect of property, plant and equipment	**(12)**	(47)
Net exchange (loss) gain	**(9)**	4
Others	**7**	(–*)
	7	(40)

6. OTHER EXPENSES

	2017	2016
	US$'million	*US$'million*
Share-based payments	**(313)**	(47)
Donations	**–***	(1)
Others	**(13)**	(1)
	(326)	(49)

* Less than US$1 million

7. FINANCE COSTS

	2017	2016
	US$'million	*US$'million*
Amortisation of transaction costs	**(4)**	(14)
Interests on senior unsecured notes	**(64)**	(117)
Interests on medium-term unsecured notes	**(6)**	(6)
Interests on bank and other borrowings	**(55)**	(47)
Loss on debt extinguishment	**(70)**	–
Less: Amounts capitalised in the cost of qualifying assets	**1**	1
	(198)	(183)

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2017	2016
	US$'million	*US$'million*
Auditor's remuneration		
Audit services	**3**	4
Non-audit services	**–***	2
Depreciation of property, plant and equipment	**382**	363
Amortisation of intangible assets included in administrative expenses	**7**	9
Release of prepaid lease payments	**5**	5
Write-down of inventories included in cost of sales	**49**	24
Net allowance on trade receivables	**1**	1
Operating leases rentals in respect of rented premises	**121**	112
Research and development expenses	**99**	84
Staff costs (excluding directors' remuneration)	**3,354**	3,167

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

9. TAXATION

	2017	2016
	US$'million	*US$'million*
China Enterprise Income Tax	**(188)**	(197)
U.S. and other overseas income tax	**(210)**	(6)
Hong Kong Profits Tax	**(1)**	–
Withholding tax	**(46)**	(49)
Deferred taxation	**263**	(213)
	(182)	(465)

* Less than US$1 million

10. DIVIDENDS

	2017	2016
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2016 final dividend of HK$21 cents per share (2015: HK$12.5 cents)	**395**	236
2017 interim dividend of HK$5 cents per share (2016: HK$5 cents)	**94**	94
	489	330

The final dividend of HK$0.22 per share in respect of the year ended December 31, 2017 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

11. 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:

	2017	2016
	US$'million	*US$'million*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**1,133**	1,036
	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,541.85**	13,666.40
Effect of dilutive potential ordinary shares:		
Incentive shares	**–**	631.58
Share options	**49.33**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,591.18**	14,297.98

The computation of diluted earnings per share for the year ended December 31, 2016 did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for that year.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$563 million (2016: US$451 million) on addition of property, plant and equipment.

13. 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:

	2017	2016
	Head	*Head*
	'000	*'000*
Live hogs		
Suckling	**1,685**	1,574
Nursery	**2,100**	2,243
Finishing	**7,446**	7,220
	11,231	11,037
Breeding stock (hogs)	**1,106**	1,066
	12,337	12,103
Broiler	**4,245**	3,846
Breeding stock (poultry)	**517**	531
	4,762	4,377

Analysed for reporting purpose as:

	2017	2016
	US$'million	*US$'million*
Current	**990**	933
Non-current	**181**	186
	1,171	1,119

Fair value measurement – Level 3

	2017	2016
	US$'million	*US$'million*
Biological assets		
Live hogs	**985**	927
Breeding stock (hogs)	**177**	184
Broiler	**5**	6
Breeding stock (poultry)	**4**	2
	1,171	1,119

13. BIOLOGICAL ASSETS *(Continued)*

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.

The Group's biological assets were valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

14. INVENTORIES

	2017	2016
	US$'million	*US$'million*
Raw materials	**700**	626
Work in progress	**116**	85
Finished goods	**1,089**	967
	1,905	1,678

15. TRADE AND BILLS RECEIVABLES

	2017	2016
	US$'million	*US$'million*
Trade receivables	**994**	792
Less: Allowances for bad and doubtful debts	**(10)**	(8)
	984	784
Bills receivables	**5**	9
	989	793

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 customers for U.S. and others operations. The following is an ageing analysis of the trade and bills receivables net of allowances for bad and doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2017	2016
	US$'million	*US$'million*
Age		
Current to 30 days	**882**	728
31 to 90 days	**105**	55
91 to 180 days	**2**	10
	989	793

15. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the allowances for bad and doubtful debts:

	2017	2016
	US$'million	*US$'million*
At January 1	**(8)**	(7)
Currency realignment	**(1)**	–*
Recognised during the year	**(1)**	(2)
Reversed during the year	**–***	1
At December 31	**(10)**	(8)

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

16. 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.

	2017	2016
	US$'million	*US$'million*
Trade payables	**1,076**	854

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

	2017	2016
	US$'million	*US$'million*
Age		
0 to 30 days	**1,058**	832
31 to 90 days	**13**	15
91 to 180 days	**2**	2
181 to 365 days	**3**	5
	1,076	854

* Less than US$1 million.

17. ACCRUED EXPENSES AND OTHER PAYABLES

	2017	2016
	US$'million	*US$'million*
Accrued staff costs	**486**	447
Deposits received	**190**	216
Sales rebates payables	**247**	211
Payables in respect of acquisition of property, plant and equipment	**146**	119
Insurance payables	**141**	117
Interest payable	**28**	56
Balance of contingent consideration in respect of acquisition of subsidiaries	**17**	63
Growers payables	**41**	38
Pension liability	**12**	33
Amounts due to associates	**9**	7
Derivative financial instruments	**11**	11
Accrued professional expenses	**40**	35
Accrued rent and utilities	**34**	29
Dividend payable	**13**	17
Other accrued expenses	**56**	59
Other payables	**200**	126
	1,671	1,584
Analysed for reporting purposes as:		
Current liabilities	**1,472**	1,422
Non-current liabilities	**199**	162
	1,671	1,584

18. BORROWINGS

	2017	2016
	US$'million	*US$'million*
Senior unsecured notes:		
7.750% senior unsecured notes due July 2017	**–**	434
5.250% senior unsecured notes due August 2018	**–**	200
5.875% senior unsecured notes due August 2021	**–**	350
6.625% senior unsecured notes due August 2022	**–**	898
2.700% senior unsecured notes due January 2020	**398**	–
2.650% senior unsecured notes due October 2021	**396**	–
3.350% senior unsecured notes due February 2022	**397**	–
4.250% senior unsecured notes due February 2027	**594**	–
	1,785	1,882
Medium-term unsecured notes	**154**	144
Bank loans *(Note 1)*:		
Secured	**107**	89
Unsecured	**1,015**	744
Loans from third parties *(Note 2)*:		
Secured	**1**	1
Unsecured	**2**	2
Other loan *(Note 3)*	**42**	–
	3,106	2,862
Bank overdrafts *(Note 4)*	**92**	16
The borrowings other than bank overdrafts are repayable as follows *(Note 5)*:		
Within one year	**809**	995
Between one to two years	**131**	575
Between two to five years	**1,569**	389
After five years	**597**	903
	3,106	2,862
Less: Amounts due within one year shown under current liabilities	**(809)**	(995)
Amounts due after one year	**2,297**	1,867
Total borrowings other than bank overdrafts:		
At fixed rates	**2,492**	2,359
At floating rates	**614**	503
	3,106	2,862

18. BORROWINGS *(Continued)*

	2017	2016
	US$'million	*US$'million*
Analysis of borrowings by currency:		
Denominated in US$	**2,340**	2,507
Denominated in RMB	**625**	283
Denominated in Romanian Leu	**78**	43
Denominated in HK$	**34**	–
Denominated in Polish Zloty	**27**	24
Denominated in British Pound	**–**	3
Denominated in EUR	**2**	2
	3,106	2,862

Notes:

1. Fixed rate bank loans carry interest at fixed rates ranging from 2.25% to 5.70% (2016: 2.45% to 5.70%) and floating rates ranging from HIBOR + 0.45% to WIBOR + 3.20% per annum at December 31, 2017 (2016: LIBOR + 0.75% to LIBOR + 2.50%).

2. Loans from third parties carry interests at fixed rates of 0.9% per annum at December 31, 2017 (2016: 0.9% per annum).

3. On March 17, 2017, the Group entered into a lease agreement with a bank in China to borrow 1,000 kilograms of gold for one year and then concurrently sold the gold in exchange for cash. On the same date, the Group entered into a forward contract with the same bank to purchase the same quantity of gold at a fixed amount to be settled on the maturity date of the gold borrowing arrangement, for the purpose of settlement of the borrowed gold. The risk of gold price fluctuation during the gold borrowing period is borne by the bank and not by the Group. Based on the substance of the arrangement, the Group accounted for these arrangements as financing arrangements to borrow money from the bank. The effective interest rate of the above arrangement is 3.50% per annum.

4. Bank overdrafts at December 31, 2017 carry interest at floating rates ranging from 3.92% to 4.35% per annum (2016: 3.50% per annum).

5. 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 material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the years ended December 31, 2017 and December 31, 2016.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the external auditor of the Company, Ernst & Young ("**EY**"), and reviewed the Group's consolidated financial information for the year ended December 31, 2017, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group's consolidated financial information comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial information for the year ended December 31, 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes to the consolidated financial information thereto for the year ended December 31, 2017 as set out in this announcement have been agreed by EY, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the year ended December 31, 2017, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules, except for the following deviation:

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

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wan Long ("**Mr. Wan**") currently holds both positions.

The Board considers that having Mr. Wan acting as both the Chairman and Chief Executive Officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management of the Company. Further, in view of Mr. Wan's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board considers it is beneficial to the business prospects of the Group that Mr. Wan continues to act as both the Chairman and Chief Executive Officer of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards under the Code of Conduct throughout the year ended December 31, 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2017.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.22 per share for the year ended December 31, 2017 (the "**2017 Final Dividend**") to the shareholders (the "**Shareholders**") of the Company subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company. Taking into account of the interim dividend of HK$0.05 per share paid on October 6, 2017, total dividend for the year ended December 31, 2017 will be HK$0.27 per share (2016: HK$0.26 per share). The 2017 Final Dividend is expected to be paid in cash to the Shareholders on or about Wednesday, June 27, 2018.

CLOSURE OF REGISTER OF MEMBERS

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

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

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Wednesday, May 30, 2018 to Monday, June 4, 2018, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Register**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, May 29, 2018.

(ii) To qualify for the proposed 2017 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2017 Final Dividend, the registers of members of the Company will be closed from Monday, June 11, 2018 to Wednesday, June 13, 2018, both days inclusive. In order to qualify for the proposed 2017 Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Friday, June 8, 2018.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Monday, June 4, 2018. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course, and in any event not later than 20 clear business days before the Annual General Meeting.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2017 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, March 26, 2018

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