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WH Group Limited

萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

HIGHLIGHTS

			Six months ended June 30,	
			2018	2017
Key operating data				
Hogs produced (thousand heads)			10,127	10,001
Hogs processed (thousand heads)			27,832	25,932
Packaged meats sold (thousand metric tons)			1,603	1,560
Key financial data				
	2018		2017	
	Results before biological fair value adjustments	Results after biological fair value adjustments	Results before biological fair value adjustments	Results after biological fair value adjustments
	<i>US\$ million (unless otherwise stated) (unaudited)</i>		<i>US\$ million (unless otherwise stated) (unaudited)</i>	
Revenue	11,169	11,169	10,658	10,658
EBITDA	1,111	1,049	1,143	1,242
Operating profit	867	867	901	901
Profit attributable to owners of the Company	557	514	492	557
Basic earnings per share (US\$ cents)	3.80	3.50	3.60	4.07
Interim dividend per share (HK\$)	0.05	0.05	0.05	0.05

- Revenue increased by 4.8%
- Operating profit decreased by 3.8%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 13.2%

The board (the “**Board**”) of directors (the “**Directors**”) of WH Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2018 (the “**Review Period**”).

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY OVERVIEW

The Group operates in the People’s Republic of China (“**China**”), the United States of America (the “**U.S.**”) and certain selected markets in Europe (“**Europe**”). Each geographic region is characterized distinctively. To maintain steady performance and maximize profitability, we rely on our seasoned and experienced management team to manage the market dynamics effectively.

China

China is the largest pork producer and consumption market in the world and the market is expected to expand further. Generally, the development of the pork industry in China is largely dependent on the laws and regulations, as well as the pace of economic growth and improvement of people’s living standard of the nation. 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 the Review Period was 26.1 million tons, an increase of 1.4% as compared to the six months ended June 30, 2017 (the “**Comparable Period**”). The total production of hogs was 334.2 million heads, 1.2% higher than the Comparable Period.

The pork prices in China are a reflection of the supply and demand of hogs in the market. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of the People’s Republic of China, the average hog price during the Review Period was RMB12.3 (approximately US\$1.9) per kilogram (“**kg**”), a reduction of 23.8% from that of the Comparable Period. The decline in hog prices was a continuation of the downward trend since mid-2016. It was primarily driven by the increase in supply as the high level of profitability in previous years created incentive for the hog farmers to expand production.

The descending hog prices supported the overall consumption of fresh pork and 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 for the Review Period was 2.2% lower than that of the Comparable Period. The incremental tariffs on U.S. imported pork because of the recent trade dispute between China and the U.S. further reduced the competitiveness of imports from the U.S.

U.S.

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

According to United States Department of Agriculture (“**USDA**”), overall animal protein production in the U.S. during the Review Period was up by 2.7%, in which pork and beef rose 3.4% and 3.8%, year over year respectively. In response to the planned expansion in processing capacity, the production of hogs continued to increase steadily over the past two years. Therefore, the average hog price, according to Chicago Mercantile Exchange, Inc., was US\$1.1 per kg during the Review Period, a decrease of 4.6% over the Comparable Period.

The industry expansion on hog farms and in processing capacity resulted in the increase in pork production volume. More pork was marketed internationally. With reference to the statistics of USDA, the export volume of U.S. pork and offals during the Review Period was up by 2.7% over the Comparable Period. The increase was mainly contributed by the growth in exports to Korea, Columbia and Mexico. Exports to China, on the other hand, recorded a reduction of 5.5%. The reason was that, although there were trade disputes between the U.S. and China as well as Mexico recently, the impact of the phasing in of Mexican tariffs was not realized in the Review Period. For exports to China, even without incremental tariffs, the surging domestic production pressured hog prices and lowered the competitiveness of U.S. pork.

In terms of prices, due to over-abundant supply of pork and change in trade dynamics, the average pork cutout value during the Review Period as published by USDA decreased by 8.8% year over year. Since March 2018, the pork cutout values were even lower than the average levels for the past three years. For the processors, as the degree of decrease in pork value was greater than that of the hog price, profit margin was compressed.

RESULTS OF OPERATIONS

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

	Six months ended June 30,		
	2018	2017	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue⁽¹⁾			
– Packaged meats	5,901	5,522	6.9%
– Fresh pork	4,589	4,640	(1.1%)
– Hog production	397	275	44.4%
– Others ⁽²⁾	282	221	27.6%
	11,169	10,658	4.8%
Operating profit (loss)			
– Packaged meats	788	686	14.9%
– Fresh pork	93	245	(62.0%)
– Hog production	22	49	(55.1%)
– Others ⁽²⁾	(36)	(79)	N/A
	867	901	(3.8%)

Notes:

- (1) Revenue refers to net external sales.
- (2) Others revenue primarily represents sales of ancillary products and services. Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 52.8% (Comparable Period: 51.8%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 90.9% in the Review Period (Comparable Period: 76.1%).

Geographically speaking, our operations in China contributed 32.8% and 54.7% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 32.7% and 39.8%). Contribution of our operation in the U.S. to the revenue and operating profit of the Group were 58.7% and 38.1%, respectively (Comparable Period: 60.3% and 52.4%). The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended June 30,		
	2018	2017	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue			
China	1,762	1,571	12.2%
U.S.	3,733	3,660	2.0%
Europe	406	291	39.5%
	5,901	5,522	6.9%
Operating profit			
China	367	319	15.0%
U.S.	394	356	10.7%
Europe	27	11	145.5%
	788	686	14.9%

During the Review Period, our packaged meats business performed well on a group-wide basis. Sales volume increased by 2.8% to 1,603 thousand metric tons as we achieved growth in all markets in which we operate. In China, we have continued the transformation of our product portfolio by introducing more new products, expanding new channels and restructuring the sales force. Driven by the strong performance of our premium products, our sales volume in China increased by 3.0% over that of the Comparable Period. The volume growth in Europe was also notable, benefiting from organic growth and recent acquisitions.

Revenue in the Review Period increased by 6.9% to US\$5,901 million. In spite of the downward trend in hog price, the average sales price of our packaged meats in each respective market went up due to product mix improvement. The rise in sales prices, coupled with volume growth, caused the different levels of increase in revenue in the U.S., China and Europe.

Operating profit was US\$788 million in the Review Period, 14.9% higher than that of the Comparable Period. In China, the strong operating profit was driven mainly by favorable raw materials costs and volume growth. The relatively low hog prices during the Review Period supported us to increase our inputs in product upgrade and marketing as well as to achieve a good margin. In the U.S., the key driving factors of the strong operating profit were product mix improvement as we were migrating our volumes to high value-added categories, along with favorable raw material costs as pork prices were lower than that of the Comparable Period. However, inflationary pressure, particularly in wages and logistics costs, offset part of the increase in our operating profit in the U.S.. In Europe, our operating profit increased significantly and our operating margin improved during the Review Period. The drivers were primarily the increase in sales price and volume. Our operating objective is to accelerate growth in Europe by continuous volume expansion and efficiency enhancement.

Fresh Pork

	Six months ended June 30,		
	2018	2017	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue			
China	1,772	1,805	(1.8%)
U.S.	2,462	2,518	(2.2%)
Europe	355	317	12.0%
	4,589	4,640	(1.1%)
Operating profit (loss)			
China	95	45	111.1%
U.S.	(15)	199	N/A
Europe	13	1	1,200.0%
	93	245	(62.0%)

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 the Review Period was 27,832 thousand heads, an increase of 7.3% over that of the Comparable Period. In China, market demand was supported by the low level of pork prices. Hog processing volume increased considerably by 30.4% to 8,274 thousand heads. Our operating target is to capture more market share by continuous volume growth as we keep improving the utilization of our existing facilities during the era of industry consolidation. In the U.S., our hog processing volume was slightly lower than that of the Comparable Period by 1.4% as our scale was constrained by unfavorable market fundamentals. In Europe, the number of hogs processed increased by 8.5% from the Comparable Period to support the growth in packaged meats business and achieve the benefits of economies of scale. Like China, the increase in hog processing volume in Europe was also achieved by the improvement in utilisation of our existing facilities.

External sales volume of fresh pork during the Review Period was 2,301 thousand metric tons, 4.6% more than that of the Comparable Period. The increase contributed by China, Europe and the U.S. was 10.7%, 8.2% and 0.9%, respectively.

Fresh pork revenue slightly decreased by 1.1% to US\$4,589 million in the Review Period as the increase in Europe was insufficient to offset the decrease in China and the U.S.. Revenue in China decreased by 1.8% from that of the Comparable Period because the impact of the downward-trending pork prices outweighed the increase in sales volume. Revenue in the U.S. reduced by 2.2% as a result of lower level of sales price and sales volume as compared to the Comparable Period.

Our operating profit of fresh pork decreased from US\$245 million in the Comparable Period to US\$93 million in the Review Period as the decline in operating profit in the U.S. largely exceeded the increase in operating profit in China and Europe. In the U.S., we recorded an operating loss of US\$15 million during the Review Period. Such results manifested the impact of the extremely unfavorable market conditions in the U.S., including the high level of pork supply in the nation driven by industry expansion, as well as the weak exports to China driven by the narrowed hog price differential and incremental tariffs imposed by China on U.S. pork. The issues of oversupply and trade disruptions depressed the price of pork to a greater degree than the price of hog and led to erosion of our margin. The increase in labor wages and logistics costs added further challenge to our operation. In contrast, we achieved significant growth in China and Europe. In China, the increase in operating profit by 111.1% was mainly due to increased sales volume and better facility utilization. To grow our volume rapidly, we expanded and rectified our channels diligently to improve sales efficiency. In Europe, our operating profit grew primarily due to favorable pricing and increased volume.

Hog Production

	Six months ended June 30,		
	2018	2017	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue			
China	4	6	(33.3%)
U.S.	362	247	46.6%
Europe	31	22	40.9%
	397	275	44.4%
Operating profit (loss)			
China	1	14	(92.9%)
U.S.	1	(21)	N/A
Europe	20	56	(64.3%)
	22	49	(55.1%)

During the Review Period, hog production volume increased by 1.3% to 10,127 thousand heads. Revenue from hog production increased by 44.4% to US\$397 million due to increased grain sales and more favorable hedging results, partially offset by lower market prices for hogs. Operating profit reduced from US\$49 million in the Comparable Period to US\$22 million in the Review Period, as hog prices went down. On a positive note, our hedging program was able to mitigate the underlying business loss in the U.S. and resulted in an operating profit of US\$1 million in the Review Period versus an operating loss of US\$21 million in the Comparable Period.

Others

In addition to packaged meats, fresh pork and hog production, the Group also engages in certain other businesses which are ancillary to our three primary operating segments. Such other businesses include slaughtering and sales of poultry, manufacturing and sales of packaging materials, provision of logistics services, operation of a finance company and a chain of retail grocery stores, production of flavoring ingredients and natural casings, as well as sales of biological pharmaceutical materials.

In the Review Period, revenue generated by our other businesses amounted to US\$282 million, an increase of 27.6% as compared to the Comparable Period. Our logistics business in China and poultry business in Europe and China made a substantial contribution to our other businesses. Our logistics business currently owns 17 logistics centers across 14 provinces covering the majority part of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely. Our poultry business processed approximately 54.5 million of broiler and turkey during the Review Period. The growth of poultry business is an integral part of our strategy in protein diversification.

CAPITAL RESOURCES

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, procurement of financing which is cost-efficient to the Group, liaison with banks and rating agencies, investment in financial products, corporate finance as well as mitigation of financial risks such as interest and foreign exchanges risks. The design of our treasury function aims at aligning with the short-term and long-term needs of the Group and conforming with good governance standard.

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US\$655 million as at June 30, 2018 (as at December 31, 2017: US\$1,371 million), which were held primarily in RMB, US\$, PLN (Polish Zloty) and RON (Romanian Lei). From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as our current financial assets at fair value through profit or loss. As at June 30, 2018, the balance was US\$129 million (as at December 31, 2017: Nil).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.6:1 as at June 30, 2018 and December 31, 2017 respectively.

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 the Review Period, our net cash from operating activities amounted to US\$134 million (Comparable Period: US\$54 million). Our net cash used in investing activities amounted to US\$487 million (Comparable Period: US\$544 million). Our net cash used in financing activities amounted to US\$365 million (Comparable Period: US\$142 million). After all, our net decrease in cash was US\$718 million in the Review Period, as compared to the net decrease of US\$632 million in the Comparable Period.

Major Financing Activities

To benefit from the lower interest rates associated with our improved credit profile, the Group completed the refinancing of debts and facilities with principal amount of US\$2,900 million in aggregate and incurred a one-off loss on debt extinguishment of US\$70 million during the Comparable Period (“**Refinancing**”).

In the Review Period, our group established a commercial paper program of US\$1,750 million for short-term liquidity needs. As at the June 30, 2018, our outstanding balance of commercial papers was US\$290 million in aggregate (as at December 31, 2017: Nil).

Debt Profile

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

	At June 30, 2018	At December 31, 2017
	<i>US\$ million</i>	<i>US\$ million</i>
Borrowings by nature		
Senior unsecured notes	1,787	1,785
Bank borrowings	1,017	1,164
Commercial papers	290	–
Medium term notes	151	154
Loans from third parties	3	3
Bank overdrafts	121	92
	3,369	3,198
Borrowings by geographical region		
U.S.	2,383	2,246
China	897	847
Europe	89	105
	3,369	3,198

The Group's total principal amount of outstanding borrowings as at June 30, 2018 was US\$3,383 million (as at December 31, 2017: US\$3,215 million). The maturity profile is analyzed as follows:

	As a % of total borrowings
In 2018	27%
In 2019	18%
In 2020	12%
In 2021	12%
In 2022	12%
In 2023	1%
In 2027	18%
	<hr/>
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 73.7% of our borrowings was denominated in US\$ as at June 30, 2018 (as at December 31, 2017: 73.3%). The rest of our borrowings was denominated in RMB, RON, PLN, GBP and EUR.

As at June 30, 2018, 90.7% of our borrowings were unsecured (as at December 31, 2017: 96.6%). 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 Review Period.

Leverage Ratios

As at June 30, 2018, 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 41.0% and 33.1% respectively (as at December 31, 2017: 38.9% and 22.2% respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to trailing 12-month 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 trailing 12-month EBITDA, before biological fair value adjustments) were 1.5:1 and 1.2:1 respectively (as at December 31, 2017: 1.4:1 and 0.8:1 respectively).

Finance Costs

Our finance costs reduced by 60.7% to US\$55 million in the Review Period. The reduction was mainly due to the inclusion of the loss on debt extinguishment of US\$70 million for the Refinancing in the finance costs during the Comparable Period. The debts prior to the Refinancing also carried higher interest rates.

As at June 30, 2018, the average interest rate of our total borrowings was 3.5% (as at December 31, 2017: 3.4%).

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 Food, 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-. The outlook is stable. On March 6, 2018, Moody’s upgraded Smithfield’s corporate family rating to Ba1 from Ba2. The rating outlook is stable.

* For identification purposes only

HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at June 30, 2018, we had approximately 110 thousand employees in total, in which approximately 56 thousand employees were with our China operation, approximately 41 thousand and 13 thousand employees were with our U.S. and European operations respectively. The Group provides training programs to 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 the Review Period amounted to US\$1,755 million (Comparable Period: US\$1,640 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.

BIOLOGICAL ASSETS

As at June 30, 2018, we had a total of 12,854 thousand hogs, consisting of 11,720 thousand live hogs and 1,134 thousand breeding stock, an increase of 4.2% from 12,337 thousand hogs as at December 31, 2017. We also had a total of 6,209 thousand poultry, consisting of 5,663 thousand broilers and 546 thousand breeding stock. The fair value of our biological assets was US\$1,125 million as at June 30, 2018, as compared to US\$1,171 million as at December 31, 2017.

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.

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a loss in the amount of US\$44 million, as compared to a profit in the amount of US\$65 million in the Comparable Period.

KEY INVESTMENT INTERESTS

Acquisition of subsidiaries

On January 9, 2018, the Group completed the purchase of 100% equity interest of two Romanian companies that operate three packaged meats manufacturing facilities, five distribution centers and related assets to produce packaged meats (“**Acquisition of Elit and Vericom**”). The Acquisition of Elit and Vericom increased our profitability in branded packaged meats and strengthened our leading position in the packaged meats market in Romania.

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 June 30, 2018, GCM and Norson had in aggregate approximately 141 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. During the Review Period, share of profit from the Mexican joint ventures was US\$15 million (Comparable Period: US\$6 million). It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

CAPITAL EXPENDITURES

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

Capital expenditures amounted to US\$326 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended June 30,	
	2018	2017
	<i>US\$ million</i>	<i>US\$ million</i>
China	40	38
U.S.	248	158
Europe	38	29
	<hr/>	<hr/>
	326	225
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During the Review Period, our capital expenditures in China were mostly related to renovation of old production facilities to cope with the adjustment of our packaged meats portfolio. We also had improvement projects in environmental technology. In the U.S., our capital expenditures were primarily related to the construction of a new distribution center, certain fresh pork plant improvement projects, upgrade of our ERP system as well as certain packaged meats line expansions. In Europe, our capital expenditures were mainly to expand capacity and to optimize the existing facilities.

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. During the Review Period, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls.

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 strategic inventory management, effective transfer of raw material prices to end customers and overseas imports, when appropriate. In the 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 met 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 and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at June 30, 2018, approximately 82.4% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at December 31, 2017: 80.2%). To manage our interest rate exposure, we optimize our debt portfolio and enter into hedging activities from time to time.

CONTINGENT LIABILITIES

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relations to compliance from time to time. In some instances, litigation ensues and individuals may initiate litigation against the Group. Details and updates subsequent to the end of the Review Period on the North Carolina nuisance litigation case will be available in the interim report of the Company. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

SUSTAINABILITY

Sustainability is an important area of the Group governance framework. The Board has established an environment social and governance (“**ESG**”) committee (the “**ESG Committee**”) at Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee conducted review on the key ESG risks and its risk mitigation controls faced by the Group, as well as approved the 2017 Sustainability Report of the Group.

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are significantly different between the various markets where we have a presence. Under the guidance of the ESG Committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles.

OUTLOOK

The operating landscape, affected by economic growth, consumers’ preference, industry cycle and epidemics, is always impacting our business. The recent exacerbated change of the dynamics in international relations is also influencing our business due to our global presence.

Looking forward, we anticipate the greatest challenge is the over-abundant supply of meats in the U.S., which will continue to suppress prices. The trade disputes between the U.S. and its certain pork import partners increase the level of uncertainty. In any event, we are making every endeavor to increase our competitiveness to improve profitability. Meanwhile, as a vertically integrated and downstream focused company, our packaged meats business will benefit from the favorable raw materials prices.

Our business in China delivered solid results in the Review Period. To attain vigorous growth, optimization of our product portfolio is an on-going process. We will launch new products to the market consistently, with an emphasis on low temperature and mid-end to premium products. We will also continue to develop our sales channels and invest in marketing efforts.

To conclude, we are a geographically diversified consumer goods company with branded packaged meats as our core business. We build resilience from our distinctive market position in facing challenges. With our stringent quality control and food safety systems, we will provide customers with high quality products. We will also strive to capture opportunities brought by industry consolidation. We believe that our relentless pursuit of our strategies will lead to sustainable development, solidify our global leadership and create long-term value for our shareholders, employees and communities.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	Notes	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
		Results before biological fair value adjustments US\$'million (Unaudited)	Biological fair value adjustments US\$'million (Unaudited)	Total US\$'million (Unaudited)	Results before biological fair value adjustments US\$'million (Unaudited)	Biological fair value adjustments US\$'million (Unaudited)	Total US\$'million (Unaudited)
Revenue	3	11,169	-	11,169	10,658	-	10,658
Cost of sales		(8,905)	77	(8,828)	(8,476)	(145)	(8,621)
Gross profit		2,264	77	2,341	2,182	(145)	2,037
Distribution and selling expenses		(1,035)	-	(1,035)	(919)	-	(919)
Administrative expenses		(376)	-	(376)	(357)	-	(357)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		-	(90)	(90)	-	155	155
Gain (loss) arising from changes in fair value less costs to sell of biological assets		-	(49)	(49)	-	89	89
Other income		64	-	64	58	-	58
Other gains and losses		(28)	-	(28)	1	-	1
Other expenses		(18)	-	(18)	(23)	-	(23)
Finance costs		(55)	-	(55)	(140)	-	(140)
Share of profits of associates		6	-	6	4	-	4
Share of profits of joint ventures		15	-	15	6	-	6
PROFIT BEFORE TAX	4	837	(62)	775	812	99	911
Taxation	5	(176)	18	(158)	(240)	(34)	(274)
PROFIT FOR THE PERIOD		661	(44)	617	572	65	637

	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Results before biological fair value adjustments <i>Notes</i> US\$'million (Unaudited)	Biological fair value adjustments US\$'million (Unaudited)	Total US\$'million (Unaudited)	Results before biological fair value adjustments US\$'million (Unaudited)	Biological fair value adjustments US\$'million (Unaudited)	Total US\$'million (Unaudited)
PROFIT FOR THE PERIOD	661	(44)	617	572	65	637
Other comprehensive income (expense) for the period:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
– exchange differences arising on translation of foreign operations			(100)			175
– fair value change in cash flow hedge			16			(33)
Other comprehensive income (expense) for the period, net of tax			(84)			142
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			533			779
Profit for the period attributable to:						
– owners of the Company			514			557
– non-controlling interests			103			80
			617			637
Total comprehensive income for the period attributable to:						
– owners of the Company			439			682
– non-controlling interests			94			97
			533			779
EARNINGS PER SHARE						
– Basic	7		US\$3.50 cents			US\$4.07 cents
– Diluted	7		US\$3.47 cents			US\$3.89 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		June 30, 2018	December 31, 2017
	<i>Notes</i>	<i>US\$'million</i> (Unaudited)	<i>US\$'million</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	5,088	5,037
Prepaid lease payments		187	197
Biological assets	9	167	181
Goodwill		1,848	1,838
Intangible assets		1,752	1,742
Interests in associates		151	155
Interests in joint ventures		152	140
Other receivables		42	41
Available-for-sale investments		–	7
Financial assets at fair value through profit or loss		7	–
Pledged bank deposits		3	5
Deferred tax assets		60	58
Other non-current assets		201	191
		<hr/>	<hr/>
Total non-current assets		9,658	9,592
CURRENT ASSETS			
Properties under development	8	5	–
Biological assets	9	958	990
Inventories	10	2,028	1,905
Trade and bills receivables	11	980	989
Prepayments, deposits and other receivables		250	222
Prepaid lease payments		5	5
Taxation recoverable		51	115
Financial assets at fair value through profit or loss		129	–
Pledged/restricted bank deposits		54	69
Bank balances and cash		655	1,371
		<hr/>	<hr/>
Total current assets		5,115	5,666
CURRENT LIABILITIES			
Trade and bills payables	12	583	1,076
Accrued expenses and other payables	13	1,307	1,472
Taxation payable		47	50
Borrowings	14	1,177	809
Bank overdrafts	14	121	92
		<hr/>	<hr/>
Total current liabilities		3,235	3,499

		June 30, 2018	December 31, 2017
	<i>Notes</i>	<i>US\$'million</i> (Unaudited)	<i>US\$'million</i> (Audited)
NET CURRENT ASSETS		1,880	2,167
TOTAL ASSETS LESS CURRENT LIABILITIES		11,538	11,759
NON-CURRENT LIABILITIES			
Borrowings	<i>14</i>	2,071	2,297
Other payables	<i>13</i>	209	199
Obligations under finance leases		23	23
Deferred tax liabilities		605	639
Deferred revenue		11	11
Pension liability and other retirement benefits		409	368
Total non-current liabilities		3,328	3,537
NET ASSETS		8,210	8,222
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		7,493	7,444
Equity attributable to owners of the Company		7,494	7,445
Non-controlling interests		716	777
TOTAL EQUITY		8,210	8,222

EXTRACTED FROM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2018

	Six months ended June 30,	
	2018	2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>134</u>	<u>54</u>
Net cash used in investing activities	<u>(487)</u>	<u>(544)</u>
Net cash used in financing activities	<u>(365)</u>	<u>(142)</u>
Net decrease in cash and cash equivalents	(718)	(632)
Cash and cash equivalents at beginning of period	1,279	1,123
Effect of foreign exchange rate changes	<u>(27)</u>	<u>38</u>
Cash and cash equivalents at end of period	<u>534</u>	<u>529</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	655	551
Bank overdrafts	<u>(121)</u>	<u>(22)</u>
	<u>534</u>	<u>529</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2018

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 acts as an investment holding company. The principal activities of its principal subsidiaries are hog production and production and sales of fresh pork and packaged meats.

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

The interim financial information for the six months ended June 30, 2018 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets, which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell and certain financial instruments which are measured at fair value. This financial information is presented in US\$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2017.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with *International Financial Reporting Standards* (“IFRSs”) issued by the IASB, except for adoption of the revised IFRSs as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised IFRSs for the first time for the current period’s interim financial information.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfer of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to IFRS 2014-2016 Cycle</i>	<i>Amendments to IFRS 1 and IAS 28</i>

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations are applied for the first time in 2018, but do not have significant impact on the unaudited interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before January 1, 2017, thus the comparative figures have not been restated.

Except for the reclassification effect below, the adoption of IFRS 15 do not have material financial impact on the Group's consolidated financial statement.

Reclassifications were made as at June 30, 2018 to be consistent with the terminology used under IFRS 15 and, accordingly, advances received from customers (2017: US\$87 million) were reclassified from deposit received to contract liabilities under Accrued expenses and other payables.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group elected to apply existing hedge accounting requirements under IAS 39 until IASB completes their macro hedging project, the Group has applied IFRS 9 retrospectively in accordance with the transition requirements, with the initial application date of January 1, 2018. The Group has elected not to adjust the comparative information for the period beginning January 1, 2017, which the comparative information was prepared under classification and measurement requirements of IAS 39.

Classification and measurement

Except for trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as available-for-sale (AFS) investments.
- Financial assets at FVPL comprise derivative instruments and unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's unquoted equity instruments were classified as AFS investments. Upon transition the AFS reserve relating to unquoted equity instruments, which had been previously recognised under accumulated OCI, was reclassified to retained profits.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

Impairment

IFRS 9 requires an impairment on trades and bills receivables and deposits and other receivables that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and other receivables and trades receivables, respectively. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of IFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

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

3. OPERATING 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, the 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.

Segment results represent the profit earned by each segment before biological fair value adjustments without allocation of other income not attributed to the respective segment, other gains and losses, finance costs and share of profits 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.

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

	For the six months ended June 30, 2018				
	Packaged meats US\$'million (Unaudited)	Fresh pork US\$'million (Unaudited)	Hog production US\$'million (Unaudited)	Others US\$'million (Unaudited)	Total US\$'million (Unaudited)
People's Republic of China ("China")					
Gross segment revenue	1,762	2,173	29	274	4,238
Less: Inter-segment revenue	—	(401)	(25)	(143)	(569)
Revenue	<u>1,762</u>	<u>1,772</u>	<u>4</u>	<u>131</u>	<u>3,669</u>
Reportable segment profit	<u>367</u>	<u>95</u>	<u>1</u>	<u>11</u>	<u>474</u>
The United States of America (the "U.S.")					
Gross segment revenue	3,735	3,791	1,489	—	9,015
Less: Inter-segment revenue	(2)	(1,329)	(1,127)	—	(2,458)
Revenue	<u>3,733</u>	<u>2,462</u>	<u>362</u>	<u>—</u>	<u>6,557</u>
Reportable segment profit (loss)	<u>394</u>	<u>(15)</u>	<u>1</u>	<u>(50)</u>	<u>330</u>
Europe					
Gross segment revenue	427	618	317	198	1,560
Less: Inter-segment revenue	(21)	(263)	(286)	(47)	(617)
Revenue	<u>406</u>	<u>355</u>	<u>31</u>	<u>151</u>	<u>943</u>
Reportable segment profit	<u>27</u>	<u>13</u>	<u>20</u>	<u>3</u>	<u>63</u>
Total					
Gross segment revenue	5,924	6,582	1,835	472	14,813
Less: Inter-segment revenue	(23)	(1,993)	(1,438)	(190)	(3,644)
Revenue	<u>5,901</u>	<u>4,589</u>	<u>397</u>	<u>282</u>	<u>11,169</u>
Reportable segment profit (loss)	<u>788</u>	<u>93</u>	<u>22</u>	<u>(36)</u>	<u>867</u>
Net unallocated income					4
Biological fair value adjustments					(62)
Finance costs					(55)
Share of profits of associates					6
Share of profits of joint ventures					15
Profit before tax					<u>775</u>

	For the six months ended June 30, 2017				
	Packaged meats US\$'million (Unaudited)	Fresh pork US\$'million (Unaudited)	Hog production US\$'million (Unaudited)	Others US\$'million (Unaudited)	Total US\$'million (Unaudited)
China					
Gross segment revenue	1,571	2,116	41	196	3,924
Less: Inter-segment revenue	—	(311)	(35)	(95)	(441)
Revenue	<u>1,571</u>	<u>1,805</u>	<u>6</u>	<u>101</u>	<u>3,483</u>
Reportable segment profit (loss)	<u>319</u>	<u>45</u>	<u>14</u>	<u>(19)</u>	<u>359</u>
U.S.					
Gross segment revenue	3,661	3,994	1,424	—	9,079
Less: Inter-segment revenue	(1)	(1,476)	(1,177)	—	(2,654)
Revenue	<u>3,660</u>	<u>2,518</u>	<u>247</u>	<u>—</u>	<u>6,425</u>
Reportable segment profit (loss)	<u>356</u>	<u>199</u>	<u>(21)</u>	<u>(62)</u>	<u>472</u>
Europe					
Gross segment revenue	311	521	295	157	1,284
Less: Inter-segment revenue	(20)	(204)	(273)	(37)	(534)
Revenue	<u>291</u>	<u>317</u>	<u>22</u>	<u>120</u>	<u>750</u>
Reportable segment profit	<u>11</u>	<u>1</u>	<u>56</u>	<u>2</u>	<u>70</u>
Total					
Gross segment revenue	5,543	6,631	1,760	353	14,287
Less: Inter-segment revenue	(21)	(1,991)	(1,485)	(132)	(3,629)
Revenue	<u>5,522</u>	<u>4,640</u>	<u>275</u>	<u>221</u>	<u>10,658</u>
Reportable segment profit (loss)	<u>686</u>	<u>245</u>	<u>49</u>	<u>(79)</u>	<u>901</u>
Net unallocated income					41
Biological fair value adjustments					99
Finance costs					(140)
Share of profits of associates					4
Share of profits of joint ventures					6
Profit before tax					<u>911</u>

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

Geographical information

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

4. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

	Six months ended June 30,	
	2018	2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	212	185
Amortisation of intangible assets included in administrative expenses	4	4
Release of prepaid lease payments	3	2
Write-down of inventories included in cost of sales	43	25
Net allowance on trade receivables	1	1
Operating leases rentals in respect of rented premises	66	61
Research and development expenses	46	50
Staff costs (excluding directors' remuneration)	1,742	1,622
Loss (gain) on disposal of property, plant and equipment	4	(1)
Gain on maturity of financial assets at fair value through profit or loss	(3)	(5)
	_____	_____

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

5. TAXATION

	Six months ended June 30,	
	2018	2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Unaudited)
China Enterprise Income Tax	103	93
U.S. and other overseas income tax	67	118
Hong Kong Profits Tax	–*	–*
Withholding tax	27	37
Deferred taxation	(39)	26
	_____	_____
	158	274
	_____	_____

Income tax is calculated at the applicable tax rates prevailing in the respective jurisdictions of the Group's operations.

* *Less than US\$1 million.*

6. DIVIDENDS

At the Company's annual general meeting held on June 4, 2018, the shareholders of the Company approved the payment of a final dividend of HK\$0.22 per share (year ended December 31, 2016: HK\$0.21 per share) of the Company for the year ended December 31, 2017, as recommended by the Board, which was paid in cash to the shareholders of the Company on June 27, 2018, whose names appeared on the register of members of the Company on June 8, 2018.

The Board resolved to recommend the payment of an interim dividend of HK\$0.05 per share (six months ended June 30, 2017: HK\$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on August 28, 2018. The dividend is to be paid in cash to the shareholders of the Company on or about September 12, 2018.

7. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2018	2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>514</u>	<u>557</u>
	Six months ended June 30,	
	2018	2017
	<i>million shares</i>	<i>million shares</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	14,674.17	13,668.77
Effect of dilutive potential ordinary shares		
– incentive shares	–	631.58
– share options	<u>126.29</u>	<u>13.10</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>14,800.46</u>	<u>14,313.45</u>

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the six months ended June 30, 2018, the Group incurred US\$299 million (six months ended June 30, 2017: US\$201 million) on the acquisition of items of property, plant and equipment.

During the six months ended June 30, 2018, the Group incurred US\$5 million (six months ended June 30, 2017: nil) on the additions to properties under development.

9. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	June 30, 2018	December 31, 2017
	<i>Head ('000)</i>	<i>Head ('000)</i>
	(Unaudited)	(Audited)
Live hogs		
– suckling	1,892	1,685
– nursery	2,248	2,100
– finishing	7,580	7,446
	11,720	11,231
Breeding stocks (hogs)	1,134	1,106
	12,854	12,337
Broilers	5,663	4,245
Breeding stocks (poultry)	546	517
	6,209	4,762

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 review to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

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

Carrying value of the Group's biological assets

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs and poultry at the end of each of the reporting periods.

Analysed for reporting purpose as:

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Current	958	990
Non-current	167	181
	1,125	1,171

Fair value measurement

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

The fair values of live hogs and broilers are mainly determined based on the market price of hogs and broilers in the actively traded market, subtracting the breeding costs required to raise the live hogs and broilers 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 increase when there is an increase in the market price of hogs and broilers or decrease in the breeding cost required to raise the live hogs and broilers, and vice versa.

10. INVENTORIES

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Raw materials	604	700
Work in progress	100	116
Finished goods	1,324	1,089
	2,028	1,905

11. TRADE AND BILLS RECEIVABLES

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Trade receivables	986	994
Less: Allowance for bad and doubtful debts	(11)	(10)
	975	984
Bills receivables	5	5
	980	989

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

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

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Current to 30 days	876	882
31 to 90 days	103	105
91 to 180 days	1	2
	<u>980</u>	<u>989</u>

12. TRADE AND BILLS PAYABLES

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Trade payables	<u>583</u>	<u>1,076</u>

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

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

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Current to 30 days	563	1,058
31 to 90 days	17	13
91 to 180 days	1	2
181 to 365 days	2	3
	<u>583</u>	<u>1,076</u>

13. ACCRUED EXPENSES AND OTHER PAYABLES

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Accrued staff costs	318	486
Deposits received	104	190
Sales rebates payables	256	247
Payables in respect of acquisition of property, plant and equipment	86	146
Insurance payables	143	141
Interest payable	32	28
Balance of contingent consideration in respect of acquisition of subsidiaries	10	17
Derivative financial instruments	17	11
Growers payables	39	41
Pension liability	12	12
Amounts due to associates	8	9
Accrued professional expenses	36	40
Accrued rent and utilities	35	34
Dividend payable	9	13
Contract liabilities	76	–
Other accrued expenses and payables	335	256
	<u>1,516</u>	<u>1,671</u>
Analysed for reporting purposes as:		
Current liabilities	1,307	1,472
Non-current liabilities	209	199
	<u>1,516</u>	<u>1,671</u>

14. BORROWINGS

	June 30, 2018	December 31, 2017
	<i>US\$'million</i>	<i>US\$'million</i>
	(Unaudited)	(Audited)
Senior unsecured notes		
2.700% senior unsecured notes due January 2020	399	398
2.650% senior unsecured notes due October 2021	397	396
3.350% senior unsecured notes due February 2022	397	397
4.250% senior unsecured notes due February 2027	594	594
	1,787	1,785
Medium-term unsecured notes	151	154
Commercial papers (<i>Note (i)</i>)	290	–
Bank loans (<i>Note (ii)</i>)		
Secured	310	107
Unsecured	707	1,015
Loans from third parties (<i>Note (iii)</i>)		
Secured	1	1
Unsecured	2	2
Other loan (<i>Note (iv)</i>)	–	42
Total borrowings	3,248	3,106
Bank overdrafts (<i>Note (v)</i>)	121	92
The borrowings other than bank overdrafts are repayable as follows (<i>Note (vi)</i>):		
Within one year	1,177	809
One to two years	631	131
Two to five years	843	1,569
After five years	597	597
	3,248	3,106
Less: Amounts due within one year shown under current liabilities	(1,177)	(809)
Amounts due after one year	2,071	2,297
Total borrowings other than bank overdrafts:		
At fixed rates	2,675	2,492
At floating rates	573	614
	3,248	3,106

Notes:

- (i) In May 2018, the Group established a new commercial paper program to issue short-term notes. The program allows the Group to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, the Group pays a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The maturities of the issued papers may vary, but may not exceed 397 days from the date of issuance. The issuance of commercial papers has the effect of reducing available liquidity by an amount equal to the principal outstanding amount of the commercial papers. Maximum issuance capacity under the program is US\$1,750 million, which is consistent with the aggregate amount of the US\$1,750 million senior unsecured revolving credit facility of the Group.
- (ii) Fixed rate bank loans carry interest at fixed rates ranging from 2.25% to 5.70% per annum (December 31, 2017: from 2.25% to 5.70%) and floating rates ranging from ROBOR + 1.00% to the U.S. Prime +0.375% per annum at June 30, 2018 (December 31, 2017: HIBOR + 0.45% to WIBOR + 3.20%).
- (iii) Loans from third parties carry interest at fixed rate of 0.90% per annum at June 30, 2018 (December 31, 2017: 0.90%).
- (iv) 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. This arrangement has been settled on March 12, 2018.
- (v) Bank overdrafts at June 30, 2018 carry interest at floating rates at 4.35% per annum (December 31, 2017: Ranging from 3.92% to 4.35%).
- (vi) The amounts due are based on scheduled repayment dates set out in the loan agreements.

Certain borrowings as at June 30, 2018 are secured by the Group's pledged bank deposits of US\$10 million (December 31, 2017: US\$10 million).

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 period ended June 30, 2018 and year ended December 31, 2017.

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of the Group, has a securitisation facility that matures in December 2019. As part of the arrangement, certain trade receivables 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 the SPV are included in the consolidated statement of financial position of the Group. However, 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 June 30, 2018, the SPV held US\$681 million (December 31, 2017: US\$632 million) of trade receivables and had no outstanding borrowings on the securitisation facility. No financial or other support to this SPV was provided by the Group as at June 30, 2018 and December 31, 2017.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau Jin Tin, Don. The Audit Committee and the Company’s management have reviewed the interim results of the Group, together with the internal control and financial reporting matters of the Group, including the interim financial information for the Review Period which has been reviewed by the Company’s external auditor, Ernst & Young.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the Review Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except for the following deviation:

Code Provision A.2.1 of 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 during the Review Period.

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.

INTERIM DIVIDEND

The Board declares an interim dividend of HK\$0.05 per share (2017: HK\$0.05 per share) for the six months ended June 30, 2018 (the “**2018 Interim Dividend**”), representing a total payment of approximately HK\$734 million (equivalent to approximately US\$93 million) (2017: approximately HK\$733 million, equivalent to approximately US\$94 million) to the shareholders of the Company (the “**Shareholders**”). The 2018 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on August 28, 2018 on or about Wednesday, September 12, 2018. The register of members of the Company will be closed from Wednesday, August 29, 2018 to Friday, August 31, 2018, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2018 Interim Dividend, Shareholders are reminded to lodge their transfers not later than 4:30 p.m. on Tuesday, August 28, 2018 with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2018 interim 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, August 14, 2018

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. WAN Hongjian, Mr. GUO Lijun, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie; 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.