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, 2014

HIGHLIGHTS

	2014	2013[3]
Key operating data		
Hogs produced (thousand heads)	**17,685**	5,460
Hogs processed (thousand heads)	**47,170**	22,772
Packaged meat products sales volume (thousand metric tons)	**3,227**	2,169

	2014		2013	
	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 (audited)		*US$ million (audited)*	
Key financial data				
Turnover	**22,243**	**22,243**	11,253	11,253
EBITDA[1]	**2,113**	**2,158**	420	461
Operating profit[2]	**1,614**	**N/A**	886	N/A
Profit (loss) attributable to owners of the Company	**737**	**766**	(289)	(263)

- Turnover increased by 97.7% from 2013
- Operating profit increased by 82.2% from 2013
- Profit attributable to owners of the Company, before biological fair value adjustments, turned from a loss of US$289 million in 2013 to a profit of US$737 million in 2014

Notes:

(1) EBITDA refers to earnings before finance costs, taxation, depreciation and amortisation.

(2) Operating profit refers to total reportable segment profit.

(3) Results and operating data of 2013 included contribution from Smithfield since September 26, 2013, when the acquisition of Smithfield by the Group (as defined below) was completed. This statement is applicable to all relevant figures of 2013 in this Announcement, unless otherwise specified.

The board of directors (the "**Board**") 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, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY REVIEW

China

China is the largest pork consumption market in the world. Driven by its economic development, continued urbanization and rising residents' income, the hog market in China is expected to grow further. However, the growth engine of China no longer operates at full throttle. China's GDP grew 7.4% in 2014 from a year ago, slower than the 7.7% growth experienced in 2013. The gradual slowdown in economic growth, the throes of economic structural change, the government's instruction to curb "extravagance and waste on the tongue tips" weakened the consumption of meat.

On the supply side, hog price in China reached its peak in 2011, hog production became a lucrative business. As a result, many hog farms introduced more breeding stocks since 2012. The level of breeding stocks remained high throughout most of 2013 and this increased the supply of hogs in 2014. According to the National Bureau of Statistics of the PRC, total pork production volume increased by 3.2% in 2014 compared to 2013.

Hog price declined from the beginning of 2014 to April 2014 as a result of the oversupply of hogs in the market before and after the Chinese New Year, which was further augmented by the fragmented structure of the hog production industry. Hog prices rebounded sharply in May 2014 as the market speculated a reduction in supply of hogs under the low hog price. The continued increase in hog price from May to August 2014 was further driven by the higher corn price due to the impact brought by drought across 12 provinces including Henan, Shandong, Hebei and Anhui in July and August 2014. Despite that the cut back in hog supply progressively came into effect as the level of breeding stocks had been reduced on a yearly basis, hog price had gradually decreased from September to the end of 2014 as the upward driving force resulting from the low supply level was constrained by the anaemic consumption demand and the descending corn price in the new crop season. The average hog price in China in 2014 was US$2.2 per kilogram ("**kg**"), a decrease of US$0.2 per kg from the previous year. The selling price of fresh pork in China is adjusted in accordance with fluctuations in the hog price. In spite of the relatively low pork price in 2014, the performance of the industry remained lacklustre given the weak consumption.

United States

The United States of America (the "**U.S.**") is the second largest producer of pork worldwide and the largest pork exporter globally. In comparison to the pork industry in the PRC, the U.S. pork industry is relatively mature and concentrated.

During the year ended December 31, 2014, the U.S. pork market was significantly impacted by the spreading of Porcine Epidemic Diarrhea Virus ("**PEDv**"), a disease that only infects pigs, not humans or other livestock, which has been an industry-wide issue. The U.S. Department of Agriculture identified PEDv in the U.S. for the first time in 2013. The disease had a significant presence and resulted in fewer hogs in the U.S. market in 2014. As the supply was lowered, the hog price increased substantially and reached record high during 2014. Increase in hog price benefited the hog production business with higher profitability. While higher input cost also impacted the downstream businesses, values across the entire pork value chain were elevated for most of 2014.

Market fundamentals, including solid domestic demand, solid export demand and moderating feed grains (input) costs on our farms, were largely supportive of our business throughout 2014. Domestic protein demand in the U.S. was stable despite significant prices increases in major proteins. The average hog price in the U.S. in 2014 was US$1.64 per kg, an increase of US$0.17 per kg from the previous year.

Our management team has continuously deployed effective measures to manage the changes in the evolving market and achieved increases in both scale and profitability.

RESULTS

	2014	2013	Change
	US$ million		*(%)*
Turnover	**22,243**	11,253	+97.7
Operating profit	**1,614**	886	+82.2
Profit (loss) for the year	**972**	(67)	N/A
Profit (loss) attributable to owners of the Company	**766**	(263)	N/A
Profit (loss) attributable to owners of the Company, before biological fair value adjustments	**737**	(289)	N/A
Underlying profit attributable to owners of the Company, before biological fair value adjustments	**956**	507	+88.6

Our operations delivered solid performances for the year ended December 31, 2014. As a result of the full year effect of contribution from Smithfield and the continued expansion of the operations in China, our results continued to grow in 2014 compared to the previous year.

Sales volume for our packaged meats products increased by 48.8% from 2,169 thousand metric tons in 2013 to 3,227 thousand metric tons in 2014. External sales volume for our fresh pork products increased by 109.1% from 1,800 thousand metric tons in 2013 to 3,764 thousand metric tons in 2014. Total turnover of the Group increased by 97.7% from US$11,253 million in 2013 to US$22,243 million in 2014. Operating profit grew 82.2% from US$886 million in 2013 to US$1,614 million in 2014.

The Group's reported profit for the year was US$972 million in 2014 (2013: loss of US$67 million). The reported profit for the year attributable to owners of the Company, before biological fair value adjustments, was US$737 million in 2014 (2013: loss of US$289 million).

Our other expenses in 2014 included share-based payments of US$78 million and listing expenses of US$31 million. Other expenses in 2013 included share-based payments of US$639 million, listing expenses of US$6 million and legal and professional fees in relation to the acquisition of Smithfield of US$132 million (the "**Merger Costs**").

A syndicated term loan of US$4,000 million (the "**Syndicated Term Loan**") was obtained by the Company to finance the acquisition of Smithfield in 2013. US$2,500 million of the Syndicated Term Loan was repaid subsequent to the listing of the Company in 2014 (the "**Repaid Portion of the Syndicated Term Loan**"). The remaining US$1,500 million of the Syndicated Term Loan was fully refinanced by a new syndicated term loan in 2014 (the "**New Syndicated Term Loan**") (the "**Refinancing**", for more information, please see "Capital Resources and Liquidity" section of this Announcement). As a result, our finance costs in 2014 and 2013 included interest expense and amortisation of transaction costs in respect of the Repaid Portion of the Syndicated Term Loan, which were US$62 million (2013: US$25 million) and US$32 million (2013: US$4 million) respectively. Finance costs in 2014 also included US$30 million of accelerated amortisation expense in relation to the Refinancing (2013: Nil).

Excluding the abovementioned share-based payments, listing expenses, the Merger Costs as well as finance costs in respect of the Repaid Portion of the Syndicated Term Loans and the accelerated amortisation expense in relation to the Refinancing, (1) underlying profits for the year were US$1,205 million in 2014 and US$739 million in 2013; (2) underlying profit attributable to owners of the Company, before biological fair value adjustments, was US$956 million in 2014 as compared to US$507 million in 2013, representing a year on year increase of 88.6%.

Packaged Meats

	2014	2013	Change (%)
Sales volume (thousand metric tons)			
China	**1,727**	1,716	+0.6
U.S.	**1,290**	404	+219.3
Others	**210**	49	+328.6
Total	**3,227**	2,169	+48.8
Turnover (US$ million)			
China	**4,039**	4,074	-0.9
U.S.	**7,173**	1,969	+264.3
Others	**664**	169	+292.9
Total	**11,876**	6,212	+91.2
Operating profit (US$ million)			
China	**711**	678	+4.9
U.S	**450**	79	+469.6
Others	**33**	2	+1,550.0
Total	**1,194**	759	+57.3

The Group is the global leader in the packaged meat products market. Sales volume of our packaged meat products was 3,227 thousand metric tons in 2014, an increase of 48.8% from 2,169 thousand metric tons in 2013.

We produce a diverse range of packaged meat products in China, including both low and high temperate products such as ham, sausage as well as Chinese and Western-style meat products. Sales volume in our China operations grew by 0.6% in 2014 from previous year. The slower pace of growth as compared to previous year aligned with the moderating growth of China's economy and vanishing extravagant and welfare consumption in 2014. Furthermore, consumers' consumption styles and preferences in China are evolving from predominantly convenient to safe, healthy, tasty, diversified and more personalised products which are of high nutrient value. To cope with these changes, our China operations are in the process of adjusting our product mix by developing more new products and modifying the existing products.

Smithfield also produces a wide variety of packaged meat products, including smoked and boiled hams, bacon, sausage, hot dogs, deli and luncheon meats, specialty products such as pepperoni, dried meat products, and ready-to-eat prepared foods. Smithfield contributed 1,500 thousand metric tons to our packaged meat products sales volume in 2014 (2013: 453 thousand metric tons).

We achieve scale of sales volume through our global sales and distribution network which provides us with unparalleled access to the markets. In China, supported by more than 5,500 committed distributors, our sales network for packaged meat products reached approximately 689 thousand points of sale covering all 31 provinces at the end of 2014, an increase of approximately 38 thousand points from previous year. In the U.S., we are the leading supplier of packaged meat products to food retail and foodservice companies, which accounted for over 90% of Smithfield's total U.S. sales in 2014 and 2013.

Our brands are synonymous with premium quality packaged meat products in their respective markets. In China, Shuanghui ("雙匯") is a national leading brand in the industry. In the U.S., we have built a portfolio of powerful brands including two "billion-dollar" brands, Smithfield and Farmland. In March 2014, Smithfield commenced manufacturing and selling under an exclusive 18-year licensing agreement with Nathan's Famous, Inc., the owner of one of the most popular hot dog brands in the U.S..

Packaged meat products turnover of the Group increased by 91.2% from US$6,212 million in 2013 to US$11,876 million in 2014. Turnover in our China operations remained stable and reached US$4,039 million in 2014. Smithfield also contributed US$7,837 million to our packaged meat products turnover in 2014 (2013: US$2,138 million).

Operating profit for packaged meat products of the Group increased by 57.3% from US$759 million in 2013 to US$1,194 million in 2014. Operating profit in our China operations grew by 4.9% from US$678 million in previous year to US$711 million in 2014 primarily as a result of the decrease in the per unit operating costs. Smithfield contributed US$483 million to our operating profit for packaged meat products in 2014 (2013: US$81 million). During the year ended December 31, 2014, per unit selling prices in our operations in U.S. increased 9.7% year on year to reflect the higher raw material input costs and our continuing effort in consumer marketing.

Fresh Pork

	2014	2013	Change (%)
Hogs processed (thousand heads)			
China	**15,010**	13,310	+12.8
U.S.	**27,890**	8,139	+242.7
Others	**4,270**	1,323	+222.8
Total	**47,170**	22,772	+107.1
Production volume (thousand metric tons)			
China	**1,499**	1,300	+15.3
U.S.	**3,100**	850	+264.7
Others	**603**	140	+330.7
Total	**5,202**	2,290	+127.2
External sales volume (thousand metric tons)			
China	**1,201**	1,075	+11.7
U.S.	**2,239**	620	+261.1
Others	**324**	105	+208.6
Total	**3,764**	1,800	+109.1
Turnover (US$ million)			
China	**3,172**	3,010	+5.4
U.S.	**5,540**	1,287	+330.5
Others	**656**	246	+166.7
Total	**9,368**	4,543	+106.2
Operating profit (loss) (US$ million)			
China	**135**	113	+19.5
U.S.	**90**	93	-3.2
Others	**(14)**	(5)	N/A
Total	**211**	201	+5.0

Our fresh pork segment includes hog slaughtering operations and sales of fresh pork products. Our fresh pork products consist of chilled and frozen meats.

The Group processed 47,170 thousand hogs in 2014, an increase of 107.1% from 22,772 thousand heads in 2013. Hog processing volume in our China operations increased by 12.8% from 13,310 thousand heads in previous year to 15,010 thousand heads in 2014. We source substantially all of the hogs that we process in China from external suppliers. We purchased approximately 14,722 thousand market hogs for our slaughtering operations in China in 2014 (2013: 13,048 thousand).

In 2014, Smithfield processed 32,160 thousand heads of hog (2013: 9,462 thousand). We source a significant portion of the hogs for our slaughtering operations in the U.S. from our U.S. hog production operations. In the year ended December 31, 2014, Smithfield produced 14,724 thousand of the 27,890 thousand hogs that it slaughtered in the U.S., or 52.8%, and the remaining 13,166 thousand hogs were purchased from external suppliers.

The Group's external sales volume of fresh pork for the year ended December 31, 2014 was 3,764 thousand metric tons, a 109.1% increase as compared to 1,800 thousand metric tons in previous year. In China, we sell a substantial portion of our fresh pork to our customers as trimmed cuts, such as carcass, picnic shoulder, ham, spare ribs, coins, ribs and offals. We use the remaining fresh pork in our packaged meat production. In 2014, our China's operation accounted for 1,201 thousand metric tons of external sales of fresh pork, an increase of 11.7% from 1,075 thousand metric tons in 2013. The increase was primarily a result of the increase in our production capacity and the expansion of our distribution network.

Smithfield contributed 2,563 thousand metric tons of external sales of fresh pork in 2014 (2013: 725 thousand metric tons). Smithfield is the largest U.S. pork exporter. For the year ended December 31, 2014, Smithfield exported approximately 26% of its external sales of fresh pork, in terms of gross sales, to numerous global markets. Out of which, approximately 21% were exported to China and Hong Kong. Ractopamine-free pork production and processing is crucial to export of pork into China. As at the year end of 2014, Smithfield had daily ractopamine-free hog production capacity of approximately 56,000 hogs and ractopamine-free processing capacity of approximately 64,000 hogs.

Our global sales and distribution network solidifies our leading position in fresh pork sales in various markets. In China, our sales network for fresh pork products reached approximately 37 thousand points of sales covering 29 provinces as at the year end of 2014 (2013: approximately 26 thousand points of sales). In the U.S., we maintain strong relationships with the majority of the top 75 food retailers and with each of the top 10 food retailers.

Fresh pork turnover of the group increased by 106.2% from US$4,543 million in 2013 to US$9,368 million in 2014. Turnover in our China operations increased by 5.4% from US$3,010 million in previous year to US$3,172 million for the year ended December 31, 2014. The increase was due primarily to an increase in our sales volume. Our selling prices for fresh pork in China, which are adjusted in accordance with fluctuations in the market price, decreased in 2014 compared to previous year. Smithfield contributed US$6,196 million to our fresh pork turnover in 2014 (2013: US$1,533 million).

Operating profit for fresh pork increased by 5.0% from US$201 million in 2013 to US$211 million in 2014. Operating profit of our China operations grew by 19.5% from US$113 million in previous year to US$135 million for the year ended December 31, 2014. The increase was due primarily to the increase in our sales volume, effective management of our selling prices, costs and increasing contribution from our higher profit margin sales channels. Smithfield contributed US$76 million to our operating profit for fresh pork in 2014 (2013: US$88 million).

Hog Production

	2014	2013	Change (%)
Production volume (thousand heads)			
China	**311**	311	–
U.S.	**14,724**	4,459	+230.2
Others	**2,650**	690	+284.1
Total	**17,685**	5,460	+223.9
Turnover (US$ million)			
China	**7**	16	-56.3
U.S.	**522**	172	+203.5
Others	**58**	3	+1,833.3
Total	**587**	191	+207.3
Operating profit (loss) (US$ million)			
China	**4**	7	-42.9
U.S.	**337**	(41)	N/A
Others	**71**	25	+184.0
Total	**412**	(9)	N/A

We are the world's largest hog producer. In 2014, the Group produced 17,685 thousand hogs, a 223.9% increase as compared to previous year. The significant increase in hog production volume was due primarily to our acquisition of Smithfield. Hog production volume in China was 311 thousand heads in 2014, comparable to previous year. Smithfield contributed 17,374 thousand hogs to our hog production volume in 2014 (2013: 5,149 thousand), including 14,724 thousand heads in the U.S. and an aggregate of 2,650 thousand heads in Poland and Romania.

In 2014, hogs produced by our farms in China accounted for 1.9% of hogs processed (2013: 2.0%). In the U.S., we produced 52.8% of hogs processed on company owned and contract farms (2013: 54.8%). We had approximately 500 company-owned farms and approximately 2,190 contract farms in the U.S. as at December 31, 2014. Under our contract farm arrangements, contract farmers provide the initial facility investment, labor and frontline management in exchange for fixed service fees to raise hogs produced from our breeding stock under agreements typically ranging between five and ten years. We retain ownership of the hogs raised by our contract farmers. In 2014, approximately 76% of Smithfield's hogs produced in the U.S. were finished on contract farms. Feed grains, including corn, soybean meal and wheat used in our hog production operations in the U.S. are purchased through forward purchase contracts.

Turnover from our hog production operations increased from US$191 million in 2013 to US$587 million in 2014 as a result of the full year effect of contribution of Smithfield and the high hog price in the U.S.. Turnover from hog production operations in China decreased by 56.3% from US$16 million for the year ended December 31, 2013 to US$7 million for the year ended December 31, 2014. Smithfield contributed US$580 million to our hog production turnover in 2014 (2013: US$175 million).

Operating profit of the Group's hog production business turned from loss of US$9 million in 2013 to US$412 million in 2014. Operating profit for our operations in China decreased from US$7 million in previous year to US$4 million for the year ended December 31, 2014 which was primarily a result of the decrease in hog prices during the year. Smithfield contributed US$408 million to our operating profit for hog production in 2014 (2013: operating loss of US$16 million) as market fundamentals including hog price, feed grains cost, domestic and export demand, in the U.S. were favorable in 2014. More discussion about our management of commodities price is set out in "Commodities Price Management" section of this Announcement.

Prospects

2014 was a remarkable year for the Group. With a common vision, we achieved solid performance. Although the operating environment ahead is ever-changing and short-term commodities price volatility is hard to eliminate, our Group remains a growth story. We will adhere to our corporate strategies to maintain and strengthen our industry leading position as the world's largest pork company, to allocate our global resources to speed up expansion, and to provide consumers with safe, high-quality and delightful products.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity

The Group continues to maintain a solid and healthy financial position. We had bank balances and cash of US$978 million as at December 31, 2014 (2013: US$875 million). Our bank balances and cash are held primarily in Chinese RMB, U.S. dollars, Polish Zlory and Romanian Lei.

We also had available-for-sale investments of US$209 million as at December 31, 2014 (2013: US$151 million). Our available-for-sale investments consist of financial products that we purchase as part of our treasury management strategy to obtain higher yields than we can otherwise receive on regular bank deposits. We will assess, among other things, the return and risks, purchase amount, type of financial product and counter party in each and every investment decision. The investments that we own are primarily principal-guaranteed financial and trust products issued by banks, trust companies and mutual funds of maturity less than 12 months. We invest in financial products primarily through our subsidiary in China, Shuanghui Development. Pursuant to Shuanghui Development's investment policy, Shuanghui Development's investment in financial products cannot exceed 35% of its most recently reported audited net assets.

Our current ratio was 1.7:1 as at December 31, 2014 (2013: 1.8:1).

EBITDA and Cash Flows

We fund our operations principally from cash generated from our operations, bank loans and other debt instruments and equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures, interest and dividend payments and any unexpected cash requirements.

The Group's consolidated EBITDA in 2014 amounted to US$2,158 million (2013: US$461 million). For the year ended December 31, 2014, net cash from operating activities amounted to US$1,560 million (2013: US$700 million).

Our net cash used in investing activities in 2014 amounted to US$721 million, including US$699 million in relation to purchases of property, plant and equipment. In previous year, net cash used in investing activities was US$5,015 million, including US$295 million in relation to purchases of property, plant and equipment and US$4,652 million as the net cash outflow on acquisition of Smithfield.

Our net cash used in financing activities in 2014 amounted to US$652 million (2013: net cash from financing activities amounted to US$4,411 million), reflecting dividends paid in the amount of US$191 million (2013: US$90 million) to the minority shareholders of Shuanghui Development and its subsidiaries, a net repayment in borrowings of US$2,751 million (2013: net proceed of US$4,505 million) primarily in relation to the prepayment of the Repaid Portion of the Syndicated Term Loan by applying the net IPO Proceeds (as defined below) and internally generated cash.

In 2014, our net increase in cash was US$187 million (2013: US$96 million).

Use of Proceeds from the Global Offerings

On August 5, 2014, our shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. Together with the full exercise of the over-allotment option on August 6, 2014, we raised in aggregate US$2,284 million of net proceeds after deducting underwriting fees and other related expenses (the "net IPO proceeds").

Up to December 31, 2014, the Group had used the entire amount of the net IPO proceeds for debt repayment in accordance with the proposed usage as set out in the prospectus of the Company dated July 24, 2014.

Key Changes in Debt Financing

To finance our acquisition of Smithfield by way of merger in September 2013, the Group obtained the Syndicated Term Loan, issued senior unsecured notes in aggregate amount of US$900 million and consolidated Smithfield's debt obligations. As at September 26, 2013, upon completion of the acquisition of Smithfield, total borrowings of the Group was US$7,962 million. As at December 31, 2013, total borrowings of the Group was US$7,432 million.

With the net IPO proceeds and the strong cash flow generated by our operations in 2014, we early settled the Repaid Portion of the Syndicated Term Loan. With repayment of debts by operating cash, Smithfield has also returned to its pre-merger debt level. As at December 31, 2014, total borrowings of the Group was US$4,670 million, representing a year on year decrease of US$2,762 million.

On September 30, 2014, the Group completed the Refinancing with 12 banks. The New Syndicated Term Loan lowers the interest rate by as much as 2.02% per annum with reference to the consolidated leverage ratio of the Group.

Subsequent to the year end of 2014, the Group commenced a cash tender offer for our senior notes, subject to a maximum aggregate purchase price of up to US$275 million. As a result, we repurchased US$258 million principal amount of senior notes and replaced them with lower cost financing.

Our treasury will continue to seek opportunities for further improvement of the Group's capital structure and cost of borrowings.

Debt Profile

Borrowings of the Group amounted to US$4,670 million as at December 31, 2014 (2013: US$7,432 million). We had the following outstanding interest-bearing bank and other borrowings as at the dates indicated:

	2014 **(*US$ million*)**	2013 (*US$ million*)
Composition of Borrowings		
Senior unsecured notes	**2,418**	2,441
Bank borrowings	**2,227**	4,912
Loans from third parties	**5**	3
Total	**4,650**	7,356
Bank overdrafts	**20**	76
Maturity of Borrowings (other than bank overdrafts)		
Within one year	**699**	684
Between one to two years	**230**	306
Between two to five years	**2,310**	4,950
After five years	**1,411**	1,416
	4,650	7,356
Borrowings (other than bank overdrafts) by geographical region		
U.S.	**2,652**	2,914
Hong Kong	**1,489**	3,932
China	**459**	421
Others	**50**	89
Total	**4,650**	7,356

Out of the total borrowings of US$4,670 million, US$3,097 million is unsecured. Certain of the Group's borrowings were secured by pledged bank deposits as at December 31, 2014 and 2013. Certain Group's borrowings contain affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group has no material default in repayment of the bank borrowings, nor did it breach any relevant finance covenants for the year ended December 31, 2014 and 2013.

Credit Profile

The Group aims to maintain a capital structure that is appropriate for its long-term growth and development. The current corporate ratings of Smithfield from Moody's and Standard & Poor's are Ba3 and BB respectively.

Available Facilities

As at December 31, 2014, we had aggregate credit facilities in the amount of US$7,196 million (2013: US$6,244 million).

Leverage Ratios

The Group's leverage ratios have been improving. Our debt-to-equity ratio decreased from 236.8% as at December 31, 2013 to 77.2% as at December 31, 2014. Our net debt to equity ratio decreased from 209.0% as at December 31, 2013 to 61.0% as at December 31, 2014. Our net debt to EBITDA ratio has also been improved to 1.7 times.

Finance Costs

Our finance costs increased from US$120 million in 2013 to US$371 million in 2014. The increase was primarily due to our acquisition of Smithfield. The weighted average interest rate of our borrowings as of December 31, 2014 was 4.8% (2013: 4.7%).

Finance costs in 2014 and 2013 included amortisation of transaction costs and interest in respect of the Repaid Portion of the Syndicated Term Loan, amounting to US$94 million and US$29 million respectively. Finance costs in 2014 also included US$30 million of accelerated amortisation expense in relation to the Refinancing (2013: Nil). Excluding such, our finance costs were US$247 million and US$91 million for the year ended December 31, 2014 and 2013 respectively.

CAPITAL EXPENDITURES

Our capital expenditures are primarily in relation to the construction of production plants and factories, the renovation and upgrading of existing facilities as well as the continuous conversion of individual gestation stalls to group pens. We fund these expenditures from internally generated resources, bank loans and capital injections.

In 2014, capital expenditures of the Group amounted to US$952 million (2013: US$331 million). The following table sets out our capital expenditures by geographical region for years indicated:

	2014	2013	Change (%)
China	**651**	261	+149.4
U.S.	**253**	65	+289.2
Others	**48**	5	+860.0
Total	**952**	331	+187.6

In China, our capital expenditures in 2014 were primarily related to the production plants in Zhengzhou, Xianyang, Nanning and Kunming. In the U.S., our capital expenditures in 2014 were for plants and hog farm improvement projects, including the replacement of gestation stalls with group pens and the introduction of new production line.

The table below sets forth the production capacity per annum and utilisation rates for our production facilities for packaged meat products and slaughtering operations in the years indicated.

	Packaged Meat				**Fresh Pork**			
	Annual Capacity		**Utilisation Rates**		**Annual Capacity**		**Utilisation Rates**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(million metric tons)		*(%)*		*(million heads)*		*(%)*	
China	**2.3**	2.1	**73.8**	84.6	**20.4**	19.6	**73.5**	71.9
U.S.	**1.5**	1.5	**84.1**	86.7	**30.2**	30.2	**90.7**	96.9
Others	**0.2**	0.2	**87.0**	92.5	**4.7**	4.2	**90.5**	90.0

Note:

(1) Annual capacity and utilisation rates of 2013 in the U.S. and others have been calculated on a full year basis.

BIOLOGICAL ASSETS

As at December 31, 2014, we had a total of 11.8 million hogs, consisting of 10.7 million live hogs and 1.1 million breeding stock, a 2.7% increase from 11.5 million hogs as at December 31, 2013. The fair value of our biological assets was US$1,234 million as at December 31, 2014 as compared to US$1,320 million as at December 31, 2013.

Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. Fair value of our biological assets is with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. Our cost of sales are adjusted for changes in the fair value of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our costs of sales, although the timing of these adjustments are not necessarily the same as the related gains or losses. Our cost of sales in each period/year are adjusted by (i) the change in the fair value of hogs less cost to sell at the point of harvest for hogs slaughtered during that period and (ii) the change in fair value less cost to sell of biological assets recognized in the previous periods. These adjustments increased our cost of sales by US$682 million and US$23 million in 2014 and 2013, respectively. In addition, changes in the fair value arising from agricultural produce at fair value less cost to sell at the point of harvest and changes in fair value less costs to sell of biological assets also resulted in gains of US$635 million and US$92 million respectively in 2014 (2013: US$17 million and US$47 million). For the year ended December 31, 2014, the net impact of biological fair value adjustments on our profit for the year was a gain in the amount of US$29 million, as compared to a gain in the amount of US$26 million in previous year.

KEY INVESTMENT INTERESTS

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 markets in the world. Norson primarily produces hogs for use in its fresh pork operations. As at December 31, 2014, GCM and Norson had in aggregate approximately a hundred thousand sows on the farms in the states of Veracruz, Puebla and Sonora.

Campofrio

We hold a 37% equity interest in Campofrio Food Group, S.A. (the "**Campofrio**"), a packaged meat products company headquartered in Madrid, Spain, with operations in Spain, France, the Netherlands, Germany, Belgium, Italy, Portugal and the U.S. and market penetration into 27 European Union countries. Campofrio's portfolio of brands for its packaged meat products have leading positions in numerous European countries, including Spain, Portugal, Italy, France, the Netherlands and Belgium.

These brands include the Campofrio, Fiorucci, Carolli, Cesar Moroni, Revilla, Aoste, Nobre, Stegeman, Marcassou, Navidul and Noere brands. Campofrio has packaged meat products covering all key product segments, with particular focus on dry sausages as well as dried and cooked ham. It has market leading positions in cured and dried hams, hot dogs, bacon, deli meats, dry sausages, chorizo, and cocktail sausage.

On January 1, 2014, we entered into an agreement with Sigma Alimentos S.A. de C.V. ("**Sigma**") and certain of its affiliates to launch a joint tender offer for 100% of the outstanding shares of Campofrio's common stock. Pursuant to the agreement with Sigma, we will continue to own an approximately 37% equity interest in Campofrio upon completion of the joint tender offer, while Sigma, which already beneficially owned an approximately 46.8% equity stake in Campofrio immediately before the launch of the joint tender offer, agreed to fund the purchase of any Campofrio shares that are tendered in the joint tender offer. The agreement also provides for the de-listing of Campofrio. The joint tender offers launched on May 22, 2014 and ended on June 5, 2014. Approximately 13.5 million shares of Campofrio were tendered at a price of 6.90 euros per share. Upon completion of the joint tender offer, Sigma held approximately 61.3% of the equity interest in Campofrio while our stake remained at 37%. On September 19, 2014, Campofrio was delisted from the Madrid and Barcelona Stock Exchanges.

CONTINGENT LIABILITIES

Our wholly owned subsidiary, Smithfield is subject to various laws and regulations administered by the U.S. federal, state and other government entitles, including the United States Environmental Protection Agency and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries where it operates like other participants in the industry.

Smithfield receives notices and inquiries from regulatory authorities and others asserting from time to time that Smithfield is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against Smithfield.

Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

TREASURY POLICY

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. Certain entities of the Group have certain sales, purchases, bank balances and cash and borrowings denominated in currencies other than their functional currencies. The carrying amount of our foreign currency denominated monetary assets and monetary liabilities at the year end of 2014 were US$33 million and US$415 million respectively (2013: US$2 million and US$423 million respectively). We currently do not have a foreign currency hedging policy. Our management monitors foreign exchange exposure. We enter into foreign exchange forward, currency swap and options contracts to hedge significant foreign currency exposure should the need arise.

At December 31, 2014, approximately 62.3% of our borrowings were at fixed interest rates (2013: 39.2%) and 37.7% (2013: 60.8%) were at floating interest rates. Our management continue to monitor and regulate our fixed and floating rate debt portfolio from time to time in accordance to the market situation so as to manage our interest rate exposure. We non-periodically enter into interest rate swap contracts for hedging purpose when the interest rate exposure is significant.

COMMODITIES PRICE MANAGEMENT

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

In China, we try to mitigate the effects of price fluctuations through strategic inventory management and by updating the pricing of our fresh pork products promptly following changes in raw material prices.

In the U.S., these commodities are actively traded on commodity exchanges. We hedge these commodities in the U.S. when we determine conditions are appropriate to mitigate price risk. The main objectives of our hedging program are to reduce hog production margin volatility and mitigate commodity price risk associated with forward sales in our fresh pork and packaged meats businesses. While this hedging activity may limit our ability to participate in gains from favorable commodity fluctuations, it also reduces the risk of loss from adverse changes in raw material prices. To address the exposures of commodity price, the Group enters into a variety of transactions and the majority of these transactions are consummated through exchange traded futures contracts held with brokers. The Group has robust monitoring procedures in the approval and management of all its derivative activities under the leadership and execution of a dedicated and professional team.

HUMAN RESOURCES

As at December 31, 2014, we had approximately total 121 thousand employees, with approximately 73 thousand employees in our China operations and approximately 48 thousand employees in our U.S. and European operations.

We aim to provide employees with resources and an environment that encourages them to develop careers with us. We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge.

We regularly review remuneration and benefits of our employees according to the relevant market practice, employee performance and the financial performance of the Company. We have also adopted share-based incentive schemes to recognize and reward the contribution of our employees, provide incentives to retain them to support our continued growth and to attract suitable personnel for further development. Total remuneration expenses for 2014 amounted to US$2,987 million (2013: US$1,792 million).

CORPORATE SOCIAL RESPONSIBILITY

Adhering to the highest standards in food safety and product quality is one of our core values. We believe our fully integrated operations, coupled with our stringent quality control standards and production safety systems, ensure consistent and high-quality products. In China, the U.S. and Europe, we operate a platform that seamlessly integrates research and development, production, quality control and distribution. All of our production, processing and distribution facilities have been accredited according to ISO9001, ISO14001, ISO22000, HACCP or other international certification standards.

To ensure product quality in China, we standardize all processes and operate our facilities using the most advanced technologies, following stringent quality control standards in all aspects of our operations. For example, we screen each hog and check each batch of raw materials and finished products of packaged meat products to ensure our products are in compliance with the relevant standards. Our commitment to quality extends beyond production to the transportation and delivery of our products through our ownership of China's largest cold-chain logistics network. Furthermore, our advanced information management systems facilitate the traceability of our products. We also intend to continue to improve our safety and quality monitoring systems across the entire value chain in China by applying industry best practices developed in our U.S. operations and increasing investment in our production facilities.

In the U.S. and Europe, a growing number of our customers prefer suppliers that are vertically integrated and have stringent controls over supply and a commitment to sustainability. All of our major facilities are certified by the Global Food Safety Initiative ("GFSI") and utilize industry lending food safety processes. We have adopted biosecurity systems, stringent supply chain controls and strict protocols to ensure product safety and consistency. Our biosecurity systems safeguard the health of our livestock. Our control systems ensure accurate and efficient product traceability across our integrated production chain. In addition, all Smithfield employees undergo extensive training in food safety policies and procedures-tailored to each of Smithfield's companies – to keep its foods safe. There are also senior-level food safety managers at each of our independent operating companies in each of our U.S. and European operations, and all managers undergo specialized training in food safety issues. We have dozens of food safety and food science professionals (including a team of leading industry microbiologists, two of whom received a prestigious award from the American Meat Institute in 2012), who are responsible for ensuring food safety management and product quality. To better share knowledge and foster continuous improvement in food safety, we also have a senior-level, cross-functional Food Safety Council that represents the major subsidiaries of our U.S. and European operations.

Our operations in the U.S. are also currently in the process of undergoing a voluntary, ten-year program to phase out individual gestation stalls at our company-owned sow farms and replace individual gestation stalls with group pens. This program represents a significant financial commitment and reflects our desire to be more animal friendly. In January 2014, we announced the recommendation that all of our contract sow growers in our U.S. operations join us in converting their facilities to group housing systems for pregnant sows. We asked contract sow growers to convert by 2022 and offered a sliding scale of incentives to accelerate that timetable through the receipt of contract extensions upon completion of the conversion.

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

FINANCIAL INFORMATION

The financial information below is an extract of the Consolidated Financial Statements of the Group for the year ended December 31, 2014, which have been audited by the independent auditor of the Company, Deloitte Touche Tohmatsu, and reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

		2014			2013		
	NOTES	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Turnover	*3*	**22,243**	**–**	**22,243**	11,253	–	11,253
Cost of sales		**(18,297)**	**(682)**	**(18,979)**	(9,457)	(23)	(9,480)
Gross profit		**3,946**	**(682)**	**3,264**	1,796	(23)	1,773
Distribution and selling expenses		**(1,511)**	**–**	**(1,511)**	(539)	–	(539)
Administrative expenses		**(758)**	**–**	**(758)**	(335)	–	(335)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**635**	**635**	–	17	17
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**92**	**92**	–	47	47
Other income	*4*	**102**	**–**	**102**	84	–	84
Other gains and losses	*5*	**14**	**–**	**14**	19	–	19
Other expenses	*6*	**(110)**	**–**	**(110)**	(787)	–	(787)
Finance costs	*7*	**(371)**	**–**	**(371)**	(120)	–	(120)
Share of profits of associates		**18**	**–**	**18**	6	–	6
Share of profits (losses) of joint ventures		**45**	**–**	**45**	(3)	–	(3)
Profit before taxation	*8*	**1,375**	**45**	**1,420**	121	41	162
Taxation	*9*	**(432)**	**(16)**	**(448)**	(214)	(15)	(229)
Profit (loss) for the year		**943**	**29**	**972**	(93)	26	(67)

	NOTE	2014 Results before biological fair value adjustments US$'million	2014 Biological fair value adjustments US$'million	2014 Total US$'million	2013 Results before biological fair value adjustments US$'million	2013 Biological fair value adjustments US$'million	2013 Total US$'million
Other comprehensive (expense) income for the year:							
Items that will not be reclassified subsequently to profit or loss:							
– exchange differences arising on translation to presentation currency				**–**			52
– remeasurement on defined benefit pension plans				**(118)**			18
				(118)			70
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				**(231)**			91
– fair value change in cash flow hedge				**29**			(5)
				(202)			86
Other comprehensive (expense) income for the year, net of tax				**(320)**			156
Total comprehensive income for the year				**652**			89
Profit (loss) for the year attributable to							
– owners of the Company				**766**			(263)
– non-controlling interests				**206**			196
				972			(67)
Total comprehensive income for the year attributable to							
– owners of the Company				**470**			(143)
– non-controlling interests				**182**			232
				652			89
Earnings (loss) per share	*11*						
– Basic (US$ cents)				**6.44**			(2.62)
– Diluted (US$ cents)				**6.11**			–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	NOTES	**2014** *US$'million*	2013 *US$'million*
Non-current assets			
Property, plant and equipment		**4,582**	4,132
Prepaid lease payments		**228**	208
Biological assets	*12*	**220**	204
Goodwill		**1,815**	1,835
Intangible assets		**1,746**	1,780
Interests in associates		**392**	415
Interests in joint ventures		**147**	121
Other receivables		**40**	123
Pledged bank deposits		**9**	9
Deferred tax assets		**88**	42
Other non-current assets		**79**	120
		9,346	8,989
Current assets			
Biological assets	*12*	**1,014**	1,116
Inventories		**1,900**	1,808
Trade and bills receivables	*13*	**845**	870
Prepayments, deposits and other receivables		**263**	242
Prepaid lease payments		**5**	5
Taxation recoverable		**65**	37
Available-for-sale investments		**209**	151
Derivatives financial assets		**73**	6
Pledged bank deposits		**22**	57
Bank balances and cash		**978**	875
		5,374	5,167
Current liabilities			
Trade and bills payables	*14*	**850**	851
Accrued expenses and other payables		**1,457**	1,146
Taxation payable		**44**	44
Derivatives financial liabilities		**52**	21
Borrowings	*15*	**699**	684
Bank overdrafts	*15*	**20**	76
		3,122	2,822
Net current assets		**2,252**	2,345
Total assets less current liabilities		**11,598**	11,334

	NOTE	**2014** **US$'million**	2013 US$'million
Non-current liabilities			
Borrowings	*15*	**3,951**	6,672
Other payables		**140**	150
Obligations under finance leases		**24**	25
Deferred tax liabilities		**838**	824
Deferred revenue		**6**	9
Pension liability and other retirement benefits		**589**	516
		5,548	8,196
Net assets		**6,050**	3,138
Capital and reserves			
Share capital		**1**	1
Reserves		**5,129**	2,274
Equity attributable to owners of the Company		**5,130**	2,275
Non-controlling interests		**920**	863
Total equity		**6,050**	3,138

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	2014	2013
	US$'million	*US$'million*
Net cash from operating activities	**1,560**	700
Net cash used in investing activities	**(721)**	(5,015)
Net cash (used in) from financing activities	**(652)**	4,411
Net increase in cash and cash equivalents	**187**	96
Effect of foreign exchange rate changes	**(28)**	29
Cash and cash equivalents at January 1	**799**	674
Cash and cash equivalents at December 31	**958**	799
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**978**	875
Bank overdrafts	**(20)**	(76)
	958	799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. GENERAL

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

The address of the registered office of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Unit 7602B–7604A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended December 31, 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in hog production, production and sales of packaged meats and fresh pork.

The functional currency of the Company was Renminbi ("RMB"), as the main operation of the Group is located in Mainland China ("China") before the acquisition of Smithfield Food, Inc. ("Smithfield") on September 26, 2013 (the "Acquisition") while the presentation currency of the Group is United States Dollar ("US$"), as the directors of the Company consider US$, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors. Given the significance of the acquisition of Smithfield to the Group, the directors of the Company had reassessed the functional currency of the Company and decided to change the functional currency of the Company and certain subsidiaries from RMB to US$ after the Acquisition 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 and the relevant subsidiaries operate after the acquisition of Smithfield.

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

For the purpose of preparing and presenting the consolidated financial statements of the Group for the year ended December 31, 2014, the Group has consistently adopted the accounting policies which conform with IFRSs that are effective for the financial period beginning on January 1, 2014 throughout the year and the amendments to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets in advance of its effective date of January 1, 2014.

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts With Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after July 1, 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

3. TURNOVER AND SEGMENT INFORMATION

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

	2014	2013
	US$'million	*US$'million*
Sales of packaged meats	**11,876**	6,212
Sales of fresh pork	**9,368**	4,543
Hog production	**587**	191
Others	**412**	307
	22,243	11,253

Segment information

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

(i)	Packaged meats	–	represents production, wholesale and retail sales of low temperature and high temperature meat products.
(ii)	Fresh pork	–	represents slaughtering, wholesale and retail sales of fresh and frozen meat.
(iii)	Hog production	–	represents hog farming.
(iv)	Others	–	represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, sales of flavouring ingredients, internally-produced packaging materials, imported meat products as well as retail business and biopharmaceuticals, retail of meat related products and expenses incurred by the Group.

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

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

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

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

For the year ended December 31, 2014

	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Segment revenue	4,039	3,913	72	410	8,434
Less: Inter-segment sales	–	(741)	(65)	(233)	(1,039)
Net external sales	4,039	3,172	7	177	7,395
Reportable segment profit (loss)	711	135	4	(77)	773
U.S.					
Segment revenue	7,173	8,202	3,385	–	18,760
Less: Inter-segment sales	–	(2,662)	(2,863)	–	(5,525)
Net external sales	7,173	5,540	522	–	13,235
Reportable segment profit (loss)	450	90	337	(129)	748
Others					
Segment revenue	705	1,042	561	307	2,615
Less: Inter-segment sales	(41)	(386)	(503)	(72)	(1,002)
Net external sales	664	656	58	235	1,613
Reportable segment profit (loss)	33	(14)	71	3	93
Total					
Segment revenue	11,917	13,157	4,018	717	29,809
Less: Inter-segment sales	(41)	(3,789)	(3,431)	(305)	(7,566)
Net external sales	11,876	9,368	587	412	22,243
Reportable segment profit (loss)	1,194	211	412	(203)	1,614
Unallocated income					102
Unallocated expenses					(33)
Biological assets fair value adjustments					45
Finance costs					(371)
Share of profits of associates					18
Share of profits of joint ventures					45
Profit before taxation					1,420

For the year ended December 31, 2013

	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Segment revenue	4,074	3,644	82	526	8,326
Less: Inter-segment sales	–	(634)	(66)	(219)	(919)
Net external sales	4,074	3,010	16	307	7,407
Reportable segment profit (loss)	678	113	7	(36)	762
U.S.					
Segment revenue	1,969	1,949	889	–	4,807
Less: Inter-segment sales	–	(662)	(717)	–	(1,379)
Net external sales	1,969	1,287	172	–	3,428
Reportable segment profit (loss)	79	93	(41)	(27)	104
Others					
Segment revenue	180	384	156	–	720
Less: Inter-segment sales	(11)	(138)	(153)	–	(302)
Net external sales	169	246	3	–	418
Reportable segment profit (loss)	2	(5)	25	(2)	20
Total					
Segment revenue	6,223	5,977	1,127	526	13,853
Less: Inter-segment sales	(11)	(1,434)	(936)	(219)	(2,600)
Net external sales	6,212	4,543	191	307	11,253
Reportable segment profit (loss)	759	201	(9)	(65)	886
Unallocated income					84
Unallocated expenses					(732)
Biological assets fair value adjustments					41
Finance costs					(120)
Share of profits of associates					6
Share of losses of joint ventures					(3)
Profit before taxation					162

4. OTHER INCOME

	2014	2013
	US$'million	*US$'million*
Franchise fee	**–+**	–+
Government subsidy directly credited to income	**55**	51
Interest income	**18**	13
Income on sales of raw materials	**15**	16
Rental income	**4**	–+
Others	**10**	4
	102	84

5. OTHER GAINS AND LOSSES

	2014	2013
	US$'million	*US$'million*
Gain on maturity of available-for-sale investments	**24**	14
Loss on disposal of property, plant and equipment	**(5)**	(2)
Net exchange (loss) gain	**(8)**	7
Others	**3**	–
	14	19

6. OTHER EXPENSES

	2014	2013
	US$'million	*US$'million*
Share-based payments	**(78)**	(639)
Legal and professional fees	**–**	(132)
Listing expenses	**(31)**	(6)
Donations	**–**	(5)
Others	**(1)**	(5)
	(110)	(787)

The above legal and professional fees were incurred in relation to the acquisition of Smithfield.

+ Less than US$1 million

7. FINANCE COSTS

	2014 *US$'million*	2013 *US$'million*
Amortisation of transaction costs	**(72)**	(7)
Interests on senior unsecured notes	**(135)**	(44)
Interest on bank and other borrowings – wholly repayable within five years	**(165)**	(70)
Less: Amounts capitalised in the cost of qualifying assets	**1**	1
	(371)	(120)

The above amortisation of transaction costs included the amortisation of transaction cost related to syndicated bank loans.

8. PROFIT BEFORE TAXATION

	2014 *US$'million*	2013 *US$'million*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit services	**4**	3
– non-audit services	**2**	–+
Depreciation of property, plant and equipment	**353**	173
Amortisation of intangible assets included in administrative expenses	**6**	1
Impairment loss recognised in respect of property, plant and equipment	**2**	1
Release of prepaid lease payments	**8**	5
Write-down of inventories included in cost of sales	**3**	3
Allowances on trade receivables	**4**	3
Operating leases rentals in respect of rented premises	**76**	60
Research and development expenses	**75**	36
Staff costs	**2,939**	1,192

The cost of sales represented the cost of inventories recognised as expenses during both years.

\+ Less than US$1 million

9. TAXATION

	2014	2013
	US$'million	*US$'million*
China Enterprise Income Tax	**(183)**	(180)
U.S. and other overseas income tax	**(154)**	(2)
Withholding tax	**(26)**	(40)
Deferred taxation	**(85)**	(7)
	(448)	(229)

10. DIVIDENDS

No dividend was proposed or paid during the years ended December 31, 2013 and December 31, 2014.

11. EARNINGS (LOSS) PER SHARE

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

	2014	2013
	US$'million	*US$'million*
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	**766**	(263)
	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share *(note 1)*	**11,904.31**	10,051.75
Effect of dilutive potential ordinary shares: Incentive shares *(note 2)*	**631.58**	–
Over-allotment options	**0.01**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**12,535.90**	10,501.75

Notes:

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

2. The computation of diluted loss per share for the year ended December 31, 2013 does not assume the vesting of the shares award as the effect is anti-dilutive.

   The computation of diluted earnings per share for the year ended December 31, 2014 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

12. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	2014	2013
	Head	*Head*
	('000)	*('000)*
Live hogs		
– suckling	**1,484**	1,336
– nursery	**2,132**	2,010
– finishing	**7,086**	7,057
	10,702	10,403
Breeding stock	**1,061**	1,047
	11,763	11,450

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. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

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

Analysed for reporting purpose as:

	2014	2013
	US$'million	*US$'million*
Current	**1,014**	1,116
Non-current	**220**	204
	1,234	1,320

The fair values of breeding stock are determined based on the average of the historical selling price of hog 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 are mainly determined based on the market price of hogs in the actively traded slaughtering market, subtracting the breeding costs required to raise the live hogs to be slaughtered and the margins that would be required by a raiser and less costs to sell (level 3). The estimate fair value will significantly increase when there is a slight increase in the market price of hog in the slaughtering market or decrease in the breeding cost required to raise the live hogs, and vice versa.

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

	2014	2013
China		
Breeding stock		
Per head market price[(1)] (RMB)	**2,141**	2,357
Suckling hogs		
Per head cost[(2)] (RMB)	**67**	69
Finishing hogs		
Per head market price[(3)] (RMB)	**1,328**	1,564
Per head weekly average breeding costs required to raise to finishing hogs[(4)] (RMB):	**42**	50
U.S.		
Breeding stock – Sow		
Per head market price[(1)] (US$)	**206**	225
Breeding stock – Boar		
Per head market price[(1)] (US$)	**109**	139
Suckling hogs		
Per head cost[(2)] (US)	**30**	34
Finishing hogs		
Per head market price[(3)] (US$)	**173**	182
Per head weekly average breeding costs required to raise to finishing hogs[(4)] (US$):	**5.9**	6.5

Notes:

1. Market prices of breeding stock — Breeding stock is assumed to be sellable to the market as at the corresponding Stock valuation date. The prices adopted refer to the average historical selling prices transacted to local slaughter house. As the Group never sells its breeding stock before the end of its useful life, no historical actual sales figures are available.

2. Costs of suckling hogs — As there is insignificant biological transformation that takes place between the birth of these animals until they become finishing hogs, the cost approach was adopted. As the hogs are only 4 weeks' old at most, the recent cost incurred approximates the replacement cost.

3. Market prices of finishing hogs — The adopted selling prices of finishing hogs (which is old enough to be sold to the market) are determined using their market price at the actively traded local spot and/or future market as reference. The prices used in the valuation are in line with the actual prices recorded.

4. Costs required to complete — The costs to complete used as an assumption in valuation are based on the historical average feeding cost, medication and vaccination, grower payment, production housing, production overhead, the freight-to-slaughter and selling costs that would be incurred for sales. The estimated profits that would be required by a raiser are also applied in the valuation.

13. TRADE AND BILLS RECEIVABLES

	2014	2013
	US$'million	*US$'million*
Trade receivables	**848**	864
Less: Allowances for bad and doubtful debts	**(7)**	(3)
	841	861
Bills receivables	**4**	9
	845	870

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

	2014	2013
	US$'million	*US$'million*
Age		
0 – 30 days	**773**	778
31 to 90 days	**64**	79
91 to 180 days	**8**	13
	845	870

Movement in the allowances for bad and doubtful debts:

	2014	2013
	US$'million	*US$'million*
At January 1	**(3)**	–[+]
Recognised during the year	**(4)**	(3)
At December 31	**(7)**	(3)

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

[+] Less than US$1 million

14. 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.

	2014	2013
	US$'million	*US$'million*
Trade payables	**850**	851
Bills payables	**–[+]**	–
	850	851

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

	2014	2013
	US$'million	*US$'million*
Age		
0 – 30 days	**646**	756
31 – 90 days	**170**	87
91–180 days	**28**	8
181 days to 365 days	**6**	–
	850	851

[+] Less than US$1 million

15. BORROWINGS

	2014	2013
	US$'million	*US$'million*
Senior unsecured notes:		
6.625% senior unsecured notes due August 2022	**1,014**	1,021
7.750% senior unsecured notes due July 2017	**520**	539
5.250% senior unsecured notes due August 2018	**492**	490
5.875% senior unsecured notes due August 2021	**392**	391
	2,418	2,441
Bank loans *(Note i)*:		
Secured	**1,572**	4,300
Unsecured	**655**	612
Loans from third parties *(Note ii)*:		
Secured	**1**	1
Unsecured	**4**	2
	4,650	7,356
Bank overdrafts *(Note iii)*:	**20**	76
The borrowings other than bank overdrafts are repayable as follows *(Note iv)*:		
Within one year	**699**	684
Between one to two years	**230**	306
Between two to five years	**2,310**	4,950
After five years	**1,411**	1,416
	4,650	7,356
Less: Amounts due within one year shown under current liabilities	**(699)**	(684)
Amounts due after one year	**3,951**	6,672
Total borrowings:		
At fixed rates	**2,899**	2,887
At floating rates	**1,751**	4,469
	4,650	7,356
Analysis of borrowings by currency:		
Denominated in US$	**4,536**	7,259
Denominated in RMB	**60**	6
Denominated in EUR	**4**	4
Denominated in GBP ("British Pound")	**4**	–
Denominated in PLN	**46**	87
	4,650	7,356

Notes:

i. Fixed rate bank loans carry interest at fixed rates ranging from 1.6% to 5.5% (2013: 1.48% to 6%) and floating rates of LIBOR + 2.5% to LIBOR + 4% per annum at December 31, 2014 (2013: 1.38% to WIBOR +2.5%).

ii. Loans from third parties carry interests at fixed rates ranging from 0.6% to 0.9% per annum at December 31, 2014 (2013: 0.6% to 0.9%).

iii. Bank overdrafts at December 31, 2014 carry interest at 5.6% per annum (2013: 5.6% per annum).

iv. 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, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of its inventories, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the year ended December 31, 2014 and December 31, 2013.

AUDIT COMMITTEE

The audit committee of the Company, consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau Jin Tin, Don, has discussed with the independent auditor of the Company, Deloitte Touche Tohmatsu, and reviewed the Group's Consolidated Financial Statements for the year ended December 31, 2014, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's Consolidated Financial Statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and all other applicable legal requirements. The audit committee therefore recommended for the Board's approval of the Group's Consolidated Financial Statements for the year ended December 31, 2014.

CORPORATE GOVERNANCE PRACTICES

As the Company's shares were not yet listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") until August 5, 2014 (the "**Listing Date**"), the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Code**") was not applicable to the Company for the period before the Listing Date. The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the period from the Listing Date to December 31, 2014, the Company has complied with all the applicable code provisions set out in the Code, except for the following deviation:

Code Provision A.2.1 – Chairman and Chief Executive Officer

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company's shares were not yet listed on the Stock Exchange until the Listing Date, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") was not applicable to the Company until the Listing Date. The Company has adopted the Model Code as the guidelines for the directors' dealings in the securities of the Company since the Listing Date.

Specific enquiry has been made to all directors of the Company and all directors have confirmed that they have complied with the applicable standards set out in the Model Code throughout the period from the Listing Date to December 31, 2014.

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

The Company's shares were listed on the Main Board of the Stock Exchange on August 5, 2014. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2014.

ANNUAL DIVIDEND

The Board does not recommend payment of any dividend for the year ended December 31, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 20, 2015 to May 22, 2015, both days inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on May 19, 2015.

ANNUAL GENERAL MEETING

It is proposed that the AGM of the Company will be held on May 22, 2015. The Notice of the AGM will be published and dispatched to the shareholders of the Company in due course, and in any event not later than 20 clear business days before the AGM.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company 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) and the 2014 annual report of the Company will be dispatched to the shareholders and published on the Company's and the Stock Exchange's websites in due course.

By Order of the Board
WH Group Limited
Chau Ho
Company Secretary

Hong Kong, March 25, 2015

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun, Mr. YANG Zhijun, Mr. POPE C. Larry and Mr. ZHANG Taixi; 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.