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萬洲國際
WH GROUP

WH Group Limited
萬 洲 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

HIGHLIGHTS

	Six months ended June 30,	
	2017	2016
Key operating data		
Hogs produced (thousand heads)	**10,001**	9,360
Hogs processed (thousand heads)	**25,932**	24,197
Packaged meats sold (thousand metric tons)	**1,560**	1,545

	Six months ended June 30,			
	2017		2016	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million, unless stated otherwise (unaudited)		*US$ million, unless stated otherwise (unaudited)*	
Key financial data				
Turnover	**10,658**	**10,658**	10,453	10,453
Operating profit	**901**	**901**	838	838
EBITDA	**1,143**	**1,242**	1,076	1,199
Profit attributable to owners of the Company	**492**	**557**	466	551
Basic earnings per share (US cents)	**3.60**	**4.07**	3.41	4.03
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Turnover increased by 2.0%
- Operating profit increased by 7.5%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 5.6%

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, 2017 (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. 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 growth of the pork industry in China is largely dependent on the pace of its economic growth, urbanisation and improvement of people's living standard. Nevertheless, the short term trend is impacted by the industry cycle. According to the statistics of the National Bureau of Statistics of China, the total production of pork in the Review Period was 24.9 million tons, an increase of 0.8% as compared to the six months ended June 30, 2016 (the "**Comparable Period**").

The pork prices in China are reflections of the supply and demand of hogs in the market. With reference to the statistics published by the Ministry of Agriculture of the People's Republic of China, the average hog price in China was RMB16.2 (approximately US$2.4) per kilogram ("**kg**") during the Review Period, a reduction of 16.1% from that of the Comparable Period. The decline in hog prices was primarily a result of the gradual increase in supply. As the levels of production and inventory increased, hog prices entered into a downward cycle. Comparing the average hog price of RMB13.8 per kg in June 2017 to the recent peak of RMB20.5 per kg in May 2016, hog price was down for 32.7%.

The descending hog prices improved the overall consumption of fresh pork but weakened the importation of pork from foreign countries. With reference to the statistics of General Administration of Customs of the People's Republic of China, the total volume of imported pork for the Review Period was 13.1% lower than that of the Comparable Period.

U.S.

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

Hog prices and pork values in U.S. are driven by the supply and demand of its domestic and export markets. During the Review Period, overall animal protein production in U.S. was up. According to United States Department of Agriculture ("**USDA**"), production of pork, chicken and beef rose 2.9%, 1.6% and 4.8% respectively in the Review Period over the Comparable Period. The downward pressure on hog prices as a result of such increases in production was alleviated by the favorable international trade of U.S. pork. The export volume in terms of carcass weight in the Review Period reached 2.9 billion pounds, an increase of 12.2% over that of the Comparable Period. The increase was mainly contributed by the growth in export to Mexico. Export to China, on the other hand, recorded a reduction. After all, the average hog price during the Review Period was US$1.2 per kg as per Chicago Mercantile Exchange, 3.1% higher than that of the Comparable Period.

RESULTS OF OPERATIONS

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

	Six months ended June 30,		
	2017	2016	Change
	US$ million	*US$ million*	%
Turnover[1]			
– Packaged meats	**5,522**	5,342	3.4%
– Fresh pork	**4,640**	4,585	1.2%
– Hog production	**275**	318	(13.5%)
– Others[2]	**221**	208	6.3%
	10,658	10,453	2.0%
Operating profit (loss)			
– Packaged meats	**686**	769	(10.8%)
– Fresh pork	**245**	191	28.3%
– Hog production	**49**	(42)	N/A
– Others[2]	**(79)**	(80)	N/A
	901	838	7.5%

Notes:

(1) Turnover refers to net external sales.

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

The packaged meats segment has always been our core business. It accounted for 51.8% (Comparable Period: 51.1%) of the Group's total turnover in the Review Period. Its contribution to the Group's operating profit was at 76.1% in the Review Period (Comparable Period: 91.8%).

Geographically speaking, our operations in U.S. contributed 60.3% and 52.4% of the total turnover and operating profit of the Group in the Review Period, respectively (Comparable Period: 56.4% and 48.1%). Contribution of our operation in China to the total turnover and operating profit of the Group were 32.7% and 39.8%, respectively (Comparable Period: 37.2% and 49.4%).

Packaged Meats

	Six months ended June 30,		
	2017	2016	Change
	US$ million	*US$ million*	*%*
Turnover			
China	**1,571**	1,654	(5.0%)
U.S.	**3,660**	3,401	7.6%
Europe	**291**	287	1.4%
	5,522	5,342	3.4%
Operating profit			
China	**319**	378	(15.6%)
U.S.	**356**	372	(4.3%)
Europe	**11**	19	(42.1%)
	686	769	(10.8%)

During the Review Period, sales volume of our packaged meats slightly increased to 1,560 thousand metric tons. In China, our volume decreased by 2.4% as we were still in the process of transforming the products and developing new channels. On a positive note, our sales performance improved quarter over quarter. In U.S., our volume grew by 3.3%. The increment was brought by the inclusion of Farmer John in our product portfolio as a result of the Acquisition of Clougherty (as defined hereinafter).

Turnover of our packaged meats in the Review Period increased by 3.4% to US$5,522 million. The increase was mainly driven by the turnover in U.S. due to volume expansion. Unlike U.S., turnover in China reported a decline. Disregarding the adverse effect generated from the exchange rate applied in reporting the Renminbi ("**RMB**") business in U.S. Dollars ("**US$**"), turnover in China was relatively stable as the net result of lower volume and higher average selling price.

Operating profit of our packaged meats was US$686 million, a decline of 10.8% over that of the Comparable Period as the operating profit in both China and U.S. decreased. In China, despite the descending hog prices, the moving average costs of raw materials remained relatively high during the Review Period. In U.S., hog prices and raw material costs rose, especially the pork belly for the production of bacon.

Fresh Pork

	Six months ended June 30,		
	2017	2016	Change
	US$ million	*US$ million*	*%*
Turnover			
China	**1,805**	2,131	(15.3%)
U.S.	**2,518**	2,204	14.2%
Europe	**317**	250	26.8%
	4,640	4,585	1.2%
Operating profit (loss)			
China	**45**	38	18.4%
U.S.	**199**	158	25.9%
Europe	**1**	(5)	N/A
	245	191	28.3%

From time to time, in response to the shifts in demand and supply and the resulting movements in hog prices, we regulate our levels of slaughtering activity and adjust our meat prices in each respective market in order to maximize the profits.

Total number of hogs processed during the Review Period was 25,932 thousand heads, an increase of 7.2% over that of the Comparable Period. Hog processing volume in China increased as consumer demand improved when pork prices were lower. Additionally, expansion of production to capture more market share is one of our longer-term strategies. Hog processing volume in U.S. also increased as demand was well supported by exports.

External sales volume of fresh pork was 2,199 thousand metric tons, 8.2% more than that of the Comparable Period. The volume increase in China and U.S were 5.2% and 11.1% respectively, broadly in line with the increase in their respective hogs processing volume. For China in particular, the growth in volume also benefited from the sales of imported pork in the Review Period.

Fresh pork turnover grew by 1.2% to US$4,640 million in the Review Period because turnover in U.S. went up as a result of the increase in both sales volume and pork prices. In contrast, turnover in China went down as the effect of the decrease in prices surpassed the increases in sales volume. The decrease of pork prices in China was primarily due to the ample supply of hogs in the market.

Our operating profit of fresh pork increased from US$191 million in the Comparable Period to US$245 million in the Review Period as the operating profit in both China and U.S. demonstrated an upward trend. In China, the increase in operating profit was mainly due to improved consumer demand, better capacity utilization and contribution from the sales of imported pork. In U.S., the increase in operating profit was mainly due to expanded export sales and implementation of our plant improvement plans. During the Review Period, our export sales increased by 16.0% and 18.0% respectively in terms of volume and sales amount.

Hog Production

	Six months ended June 30,		
	2017	2016	Change
	US$ million	*US$ million*	*%*
Turnover			
China	**6**	7	(14.3%)
U.S.	**247**	294	(16.0%)
Europe	**22**	17	29.4%
	275	318	(13.5%)
Operating profit (loss)			
China	**14**	21	(33.3%)
U.S.	**(21)**	(70)	N/A
Europe	**56**	7	700%
	49	(42)	N/A

The vast majority of our hog production business are in U.S. and Europe. In the Review Period, hog production volume increased to 10,001 thousand heads. Turnover decreased by 13.5% to US$275 million as in U.S. less hogs were sold externally. An operating profit of US$49 million (Comparable Period: loss of US$42 million) was recorded as our operation in U.S. reduced its operating loss by US$49 million and our operations in Europe increased its operating profit by US$49 million in the Review Period. The improvement of results in both U.S. and Europe was primarily driven by the rise of hog prices in the local markets.

Others

In addition to packaged meats, fresh pork and hog production, the Group also engages in certain other businesses, which are mainly slaughtering and sales of poultry, manufacturing and sales of packaging materials, provision of logistics services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceutical materials. In the Review Period, turnover generated from our other businesses amounted to US$221 million, a 6.3% increase as compared to the Comparable Period. These other businesses are ancillary to our three primary operating segments. For instance, our logistics business in China currently owns 17 logistics centers across 14 provinces covering the majority part of the nation. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely.

ANALYSIS OF CAPITAL RESOURCES

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US$551 million as at June 30, 2017, which were held primarily in RMB, US$, Polish Zloty ("**PLN**") and Romanian Lei ("**RON**") (as at December 31, 2016: US$1,139 million). From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as our current available-for-sale investments. As at June 30, 2017, the balance of financial products was US$196 million (as at December 31, 2016: Nil).

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 relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures, interest and dividend payments and any unexpected cash requirements. In the Review Period, our net cash from operating activities amounted to US$54 million (Comparable Period: US$354 million). Our net cash used in investing activities amounted to US$544 million (Comparable Period: US$345 million). Our net cash used in financing activities amounted to US$142 million (Comparable Period: US$654 million). After all, our net decrease in cash was US$632 million in the Review Period, as compared to the net decrease of US$645 million in the Comparable Period.

Major Financing Activities

On February 1, 2017, the Group completed the issuance of US$1,400 million aggregate principal amount of senior unsecured notes, which is comprised of US$400 million aggregate principal amount of 2.700% senior notes due 2020, US$400 million aggregate principal amount of 3.350% senior notes due 2022 and US$600 million aggregate principal amount of 4.250% senior notes due 2027 (Collectively, the "**New Notes**"). On February 17, 2017, the Group also entered into a credit agreement, which consists of a US$1,000 million senior unsecured revolving facility and a US$500 million senior unsecured term loan, with a bank group (the "**New Credit Facility**"). The net proceeds from the New Notes and the term loan portion of the New Credit Facility were used to refinance part of the Group's existing debts to reduce future finance costs and improve debt maturity profile. Hence, on February 1, 2017, we completed the tender offer to repurchase US$360 million of the 7.750% senior notes due 2017 ("**2017 Notes**"). On February 21, 2017, we redeemed all of the aggregate principal amount of the outstanding 5.250% senior notes due 2018, 5.875% senior notes due 2021 and 6.625% senior notes due 2022. On July 1, 2017, we repaid the remaining balance of US$81 million of the 2017 Notes at maturity ("**Refinancing**").

Debt Profile

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

	At June 30, 2017 *US$ million*	At December 31, 2016 *US$ million*
Borrowings by nature		
Bank borrowings	**1,711**	833
Senior unsecured notes	**1,469**	1,882
Medium term notes	**148**	144
Loans from third parties	**3**	3
Other loan	**41**	–
Bank overdrafts	**22**	16
	3,394	2,878
Borrowings by geographical region		
U.S.	**2,161**	1,912
China	**939**	443
Hong Kong	**172**	453
Europe	**122**	70
	3,394	2,878

The Group's total principal amount of outstanding borrowings as at June 30, 2017 was US$3,410 million (as at December 31, 2016: US$2,864 million). The maturity profile is analyzed as follows:

	Total
In 2017	21%
In 2018	18%
In 2019	9%
In 2020	13%
In 2021	2%
In 2022	19%
In 2027	18%
	100%

Our borrowings are principally denominated in currencies of the Group's business, or balanced by assets in the same currency. 73.1% of our borrowings is denominated in US$ as at June 30, 2017 (as at December 31, 2016: 87.0%). The rest of our borrowings is denominated in RMB, Euro, Great Britain Pound, PLN and RON.

As at June 30, 2017, 90.6% of our borrowings were unsecured (as at December 31, 2016: 96.8%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no material default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Leverage Ratios

As at June 30, 2017, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 46.5% and 38.9% respectively (as at December 31, 2016: 40.9% and 24.7% respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank over drafts 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, 2016: 1.3:1 and 0.8:1 respectively).

Finance Costs

Our finance costs increased from US$96 million in the Comparable Period to US$140 million for the Review Period. The increase was mainly the net results of a loss on debt extinguishment of US$70 million and the subsequent interest savings related to the Refinancing. As at June 30, 2017, the average interest rate of our total borrowings was 3.4% (as at December 31, 2016: 5.2%).

Credit Profile

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

The rating of our wholly owned subsidiary, Shuanghui Group, according to China Cheng Xin International Credit Rating Co. Ltd*. (中誠信國際信用評級有限公司) is AAA. For our wholly-owned subsidiary, Smithfield, Fitch assigned to it 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. According to Moody's, Smithfield's corporate family rating is Ba2. The outlook is positive.

* *For identification purpose only*

CAPITAL EXPENDITURES

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

Capital expenditures amounted to US$201 million in the Review Period. The following table sets out our capital expenditures by geographical region for periods indicated:

	Six months ended June 30,	
	2017	2016
	US$ million	*US$ million*
China	**22**	38
U.S.	**150**	136
Europe	**29**	34
	201	208

In China, our capital expenditures for the Review Period were mainly related to the building of new and renovation of old production facilities in Shenyang and Qingyuan. In U.S., our capital expenditures for the Review Period were primarily related to plant and hog farm improvement projects, as well as the upgrade of our ERP system.

HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at June 30, 2017, we had approximately 104 thousand employees in total, with approximately 52 thousand employees in our China operation and approximately 52 thousand employees in our U.S. and European operations. The Group provides training programs for the employees with a view to constantly improving their skills and knowledge. It is also our policy to ensure that remuneration for employees, inducing the Chief Executive Officer and other Directors, is appropriate and aligns with the goals, objectives and performances of the Group. Total remuneration expenses in the Review Period amounted to US$1,640 million (Comparable Period: US$1,562 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; long term incentives such as share-based payments as well as retirement benefits scheme.

BIOLOGICAL ASSETS

As at June 30, 2017, we had a total of 12,555 thousand hogs, consisting of 11,447 thousand live hogs and 1,108 thousand breeding stock, a 3.7% increase from 12,103 thousand hogs as at December 31, 2016. We also had a total of 5,171 thousand poultry, consisting of 4,626 thousand broilers and 545 thousand breeding stock. The fair value of our biological assets was US$1,235 million as at June 30, 2017, as compared to US$1,119 million as at December 31, 2016.

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

For the Review Period, the net impact of biological fair value adjustments on our profit was a profit in the amount of US$65 million, as compared to a profit in the amount of US$85 million in the Comparable Period.

KEY INVESTMENT INTERESTS

Acquisition of Subsidiaries

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

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

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, 2017, GCM and Norson had in aggregate approximately 131 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$6 million (Comparable Period: US$11 million). It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

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 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 system 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 risk assessment, report and analyze 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 turnover is primary driven by sale of packaged meats and fresh pork, and, to a lesser degree, sales of hogs to third parties. Significant price fluctuations in these commodities affect our results.

In China, we mitigate the effects of price fluctuations through overseas import, strategic inventory management and effective transfer of raw material prices to end customers. In U.S., these commodities are actively traded on the exchanges. We hedge when we determine conditions are appropriate to mitigate price risk. The main objectives of our hedges are to reduce hog production margin volatility and mitigate commodity price risk associated with forward sales in our packaged meats and fresh pork businesses. While these hedging activities may limit our ability to participate in gains from favorable commodity fluctuations, it also reduces the risk of loss from adverse changes in raw material prices. 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, 2017, approximately 71.6% of our borrowings were at fixed interest rates (As at December 31, 2016: 82.4%). 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. 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.

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, will continue to impact our businesses. To cope with these challenges and achieve more vigorous growth in competition, we will respond proactively.

In China, we will deepen the optimisation of our product portfolio, develop our sales channels and invest in marketing efforts so as to expand our business scale. We will launch new products to the market consistently, with an emphasis on low temperature and mid-end to premium products. In the U.S., we will focus on the realization of the full value of vertical integration. We will build stronger consumer brands and increase market share in key products. We expect margins to keep enhancing through improvement in management and uplift in efficiency.

As a consumer goods company, branded packaged meat products will continue to be our core business. Coupled with our stringent quality control and food safety systems, we will assure customers with high quality products. We will also strive to capture opportunities brought by industry consolidation. We believe that our relentless pursuit of our strategies will lead to sustainable growth, solidify our global leadership and create long-term value for our shareholders, employees and communities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	Notes	**For the six months ended June 30, 2017**			For the six months ended June 30, 2016		
		Results before biological fair value adjustments	**Biological fair value adjustments**	**Total**	Results before biological fair value adjustments	Biological fair value adjustments	Total
		US$'million	***US$'million***	***US$'million***	*US$'million*	*US$'million*	*US$'million*
		(Unaudited)	***(Unaudited)***	***(Unaudited)***	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Turnover	*3*	**10,658**	**–**	**10,658**	10,453	–	10,453
Cost of sales		**(8,476)**	**(145)**	**(8,621)**	(8,405)	(12)	(8,417)
Gross profit		**2,182**	**(145)**	**2,037**	2,048	(12)	2,036
Distribution and selling expenses		**(919)**	**–**	**(919)**	(854)	–	(854)
Administrative expenses		**(357)**	**–**	**(357)**	(339)	–	(339)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**155**	**155**	–	47	47
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**89**	**89**	–	88	88
Other income		**58**	**–**	**58**	37	–	37
Other gains and losses		**1**	**–**	**1**	5	–	5
Other expenses		**(23)**	**–**	**(23)**	(28)	–	(28)
Finance costs		**(140)**	**–**	**(140)**	(96)	–	(96)
Share of profits of associates		**4**	**–**	**4**	5	–	5
Share of profits of joint ventures		**6**	**–**	**6**	12	–	12
PROFIT BEFORE TAX	*4*	**812**	**99**	**911**	790	123	913
Income tax expenses	*5*	**(240)**	**(34)**	**(274)**	(223)	(38)	(261)
PROFIT FOR THE PERIOD		**572**	**65**	**637**	567	85	652

	Notes	**For the six months ended June 30, 2017**			For the six months ended June 30, 2016		
		Results before biological fair value adjustments	**Biological fair value adjustments**	**Total**	Results before biological fair value adjustments	Biological fair value adjustments	Total
		US$'million	***US$'million***	***US$'million***	*US$'million*	*US$'million*	*US$'million*
		(Unaudited)	***(Unaudited)***	***(Unaudited)***	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
PROFIT FOR THE PERIOD		**572**	**65**	**637**	567	85	652
Other comprehensive income (expense) for the period:							
Items that will not be reclassified subsequently to profit or loss							
– remeasurement on defined benefit pension plans				**–**			2
Items that may be reclassified subsequently to profit or loss							
– exchange differences arising on translation of foreign operations				**175**			(57)
– fair value change in cash flow hedge				**(33)**			25
				142			(32)
Other comprehensive income (expense) for the period, net of tax				**142**			(30)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**779**			622
Profit for the period attributable to:							
Owners of the Company				**557**			551
Non-controlling interests				**80**			101
				637			652
Total comprehensive income for the period attributable to:							
Owners of the Company				**682**			519
Non-controlling interests				**97**			103
				779			622
EARNINGS PER SHARE							
Basic	7			**US4.07 cents**			US4.03 cents
Diluted	7			**US3.89 cents**			US3.85 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017

	Notes	**June 30, 2017** *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**4,808**	4,529
Prepaid lease payments		**198**	195
Biological assets	*9*	**189**	186
Goodwill		**1,823**	1,784
Intangible assets		**1,730**	1,681
Interests in associates		**61**	62
Interests in joint ventures		**142**	119
Other receivables		**41**	47
Available-for-sale investments		**5**	5
Pledged bank deposits		**10**	8
Deferred tax assets		**36**	28
Other non-current assets		**140**	124
Total non-current assets		**9,183**	8,768
CURRENT ASSETS			
Biological assets	*9*	**1,046**	933
Inventories	*10*	**1,808**	1,678
Trade and bills receivables	*11*	**887**	793
Prepayments, deposits and other receivables		**288**	228
Prepaid lease payments		**5**	5
Taxation recoverable		**42**	16
Available-for-sale investments		**196**	–
Pledged/restricted bank deposits		**43**	51
Bank balances and cash		**551**	1,139
Total current assets		**4,866**	4,843

	Notes	**June 30, 2017** *US$'million* ***(Unaudited)***	December 31, 2016 *US$'million* *(Audited)*
CURRENT LIABILITIES			
Trade and bills payables	*12*	**615**	854
Accrued expenses and other payables	*13*	**1,303**	1,422
Taxation payable		**44**	36
Borrowings	*14*	**1,109**	995
Bank overdrafts	*14*	**22**	16
Total current liabilities		**3,093**	3,323
NET CURRENT ASSETS		**1,773**	1,520
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,956**	10,288
NON-CURRENT LIABILITIES			
Borrowings	*14*	**2,263**	1,867
Other payables	*13*	**155**	162
Obligations under finance leases		**24**	23
Deferred tax liabilities		**891**	887
Deferred revenue		**7**	8
Pension liability and other retirement benefits		**311**	303
Total non-current liabilities		**3,651**	3,250
Net assets		**7,305**	7,038
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**6,646**	6,315
Equity attributable to owners of the Company		**6,647**	6,316
Non-controlling interests		**658**	722
Total equity		**7,305**	7,038

EXTRACTED FROM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

	Six months ended June 30,	
	2017	2016
	US$'million	*US$'million*
	(Unaudited)	*(Unaudited)*
Net cash from operating activities	**54**	354
Net cash used in investing activities	**(544)**	(345)
Net cash used in financing activities	**(142)**	(654)
Net decrease in cash and cash equivalents	**(632)**	(645)
Cash and cash equivalents at beginning of period	**1,123**	1,125
Effect of foreign exchange rate changes, net	**38**	(15)
Cash and cash equivalents at end of period	**529**	465
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**551**	515
Bank overdrafts	**(22)**	(50)
	529	465

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2017

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

WH Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. Its immediate holding company is Heroic Zone Investments Limited ("**Heroic Zone**") which is incorporated in the British Virgin Islands while its ultimate holding company is Rise Grand Group Limited, also incorporated in the British Virgin Islands.

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

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

The interim financial information for the six months ended June 30, 2017 have 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 do 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, 2016.

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, 2016, 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 revised IFRSs for the first time for the current period's interim financial information.

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of the revised IFRSs has had no significant financial effect on these interim financial information and there have been no significant changes to the accounting policies applied in these interim financial information.

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, U.S. and other areas 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 services, sales of flavouring ingredients, and internally-produced packaging materials, as well as 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, 2017				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
People's Republic of China ("China")					
Gross segment revenue	1,571	2,116	41	196	3,924
Less: Inter-segment sales	–	(311)	(35)	(95)	(441)
Net external sales	1,571	1,805	6	101	3,483
Reportable segment profit (loss)	319	45	14	(19)	359
The United States of America ("U.S.")					
Gross segment revenue	3,661	3,994	1,424	–	9,079
Less: Inter-segment sales	(1)	(1,476)	(1,177)	–	(2,654)
Net external sales	3,660	2,518	247	–	6,425
Reportable segment profit (loss)	356	199	(21)	(62)	472
Others					
Gross segment revenue	311	521	295	157	1,284
Less: Inter-segment sales	(20)	(204)	(273)	(37)	(534)
Net external sales	291	317	22	120	750
Reportable segment profit	11	1	56	2	70
Total					
Gross segment revenue	5,543	6,631	1,760	353	14,287
Less: Inter-segment sales	(21)	(1,991)	(1,485)	(132)	(3,629)
Net external sales	5,522	4,640	275	221	10,658
Reportable segment profit (loss)	686	245	49	(79)	901
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					911

	For the six months ended June 30, 2016				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
China					
Gross segment revenue	1,654	2,394	50	189	4,287
Less: Inter-segment sales	–	(263)	(43)	(88)	(394)
Net external sales	1,654	2,131	7	101	3,893
Reportable segment profit (loss)	378	38	21	(23)	414
U.S.					
Gross segment revenue	3,402	3,499	1,297	–	8,198
Less: Inter-segment sales	(1)	(1,295)	(1,003)	–	(2,299)
Net external sales	3,401	2,204	294	–	5,899
Reportable segment profit (loss)	372	158	(70)	(57)	403
Others					
Gross segment revenue	308	402	221	140	1,071
Less: Inter-segment sales	(21)	(152)	(204)	(33)	(410)
Net external sales	287	250	17	107	661
Reportable segment profit (loss)	19	(5)	7	–	21
Total					
Gross segment revenue	5,364	6,295	1,568	329	13,556
Less: Inter-segment sales	(22)	(1,710)	(1,250)	(121)	(3,103)
Net external sales	5,342	4,585	318	208	10,453
Reportable segment profit (loss)	769	191	(42)	(80)	838
Net unallocated income					31
Biological fair value adjustments					123
Finance costs					(96)
Share of profits of associates					5
Share of profits of joint ventures					12
Profit before tax					913

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

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

Geographical information

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

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging (crediting):

	Six months ended June 30,	
	2017	2016
	US$'million	*US$'million*
	(Unaudited)	*(Unaudited)*
Depreciation	**185**	184
Amortisation of intangible assets included in administrative expenses	**4**	4
Amortisation of prepaid lease payments	**2**	2
Write-down of inventories included in cost of sales	**25**	9
Net allowance on trade receivables	**1**	–*
Operating leases rentals in respect of rented premises	**61**	55
Research and development expenses	**50**	42
Staff costs	**1,622**	1,542
(Gain) loss on disposal of property, plant and equipment	**(1)**	2
Gain on maturity of available-for-sale investments	**(5)**	(10)

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

5. INCOME TAX

	Six months ended June 30,	
	2017	2016
	US$'million	*US$'million*
	(Unaudited)	*(Unaudited)*
China enterprise income tax	**93**	107
U.S. and other overseas income tax	**118**	121
Withholding tax	**37**	5
Deferred tax	**26**	28
	274	261

Income tax is calculated at the applicable tax rates prevailing in the respective jurisdictions.

* *Less than US$1 million*

6. DIVIDENDS

At the Company's annual general meeting held on May 23, 2017, the shareholders of the Company approved the payment of a final dividend of HK$0.21 per share (year ended December 31, 2015: HK$0.125 per share) of the Company for the year ended December 31, 2016, as recommended by the Board, which was paid in cash to the shareholders of the Company on June 19, 2017, whose names appeared on the register of members of the Company on May 29, 2017.

The Board resolved to recommend the payment of an interim dividend of HK$0.05 per share (six months ended June 30, 2016: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on September 20, 2017. The dividend is to be paid in cash to the shareholders of the Company on or about October 6, 2017.

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,	
	2017	2016
	US$'million	*US$'million*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**557**	551

	Six months ended June 30,	
	2017	2016
	million shares	*million shares*
	(Unaudited)	*(Unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**13,668.77**	13,665.96
Effect of dilutive potential ordinary shares		
– incentive shares	**631.58**	631.58
– share options	**13.10**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,313.45**	14,297.54

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

The computation of diluted earnings per share for the period ended June 30, 2016 did not assume the exercise or forfeiture of the Company's share options because the exercise price of those options was higher than the then average market price for the Company's shares.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2017, the Group incurred US$201 million (six months ended June 30, 2016: US$208 million) on the acquisition of items of property, plant and equipment.

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, 2017	December 31, 2016
	Head ('000)	*Head ('000)*
	(Unaudited)	*(Audited)*
Live hogs		
– suckling	**1,745**	1,574
– nursery	**2,373**	2,243
– finishing	**7,329**	7,220
	11,447	11,037
Breeding stocks (hogs)	**1,108**	1,066
	12,555	12,103
Broilers	**4,626**	3,846
Breeding stocks (poultry)	**545**	531
	5,171	4,377

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

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

Analysed for reporting purpose as:

	June 30, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Current	**1,046**	933
Non-current	**189**	186
	1,235	1,119

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 commercial chicken, and vice versa.

10. INVENTORIES

	June 30, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Raw materials	**524**	626
Work in progress	**112**	85
Finished goods	**1,172**	967
	1,808	1,678

11. TRADE AND BILLS RECEIVABLES

	June 30, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Trade receivables	**888**	792
Less: Allowance for bad and doubtful debts	**(9)**	(8)
	879	784
Bills receivables	**8**	9
	887	793

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 others 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, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Current to 30 days	**811**	728
31 to 90 days	**59**	55
91 to 180 days	**17**	10
	887	793

12. TRADE AND BILLS PAYABLES

	June 30, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Trade payables	**615**	854

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 others operations. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

	June 30, 2017	December 31, 2016
	US$'million	*US$'million*
	(Unaudited)	*(Audited)*
Current to 30 days	**579**	832
31 to 90 days	**7**	15
91 to 180 days	**15**	2
181 to 365 days	**14**	5
	615	854

13. ACCRUED EXPENSES AND OTHER PAYABLES

	June 30, 2017	December 31, 2016
	US$'million	*US$'million*
	(Unaudited)	*(Audited)*
Accrued staff costs	**328**	447
Deposits received	**201**	216
Sales rebates payables	**211**	211
Payables in respect of acquisition of property, plant and equipment	**95**	119
Insurance payables	**147**	117
Interest payable	**37**	56
Balance of contingent consideration in respect of acquisition of subsidiaries	**69**	63
Growers payables	**35**	38
Pension liability	**33**	33
Amounts due to associates	**10**	7
Other accrued expenses	**142**	88
Other payables	**150**	189
	1,458	1,584
Analysed for reporting purposes as:		
Current	**1,303**	1,422
Non-current	**155**	162
	1,458	1,584

14. BORROWINGS

	June 30, 2017 *US$'million* *(Unaudited)*	December 31, 2016 *US$'million* *(Audited)*
Senior unsecured notes		
5.250% senior unsecured notes due August 2018	**–**	200
5.875% senior unsecured notes due August 2021	**–**	350
6.625% senior unsecured notes due August 2022	**–**	898
7.750% senior unsecured notes due July 2017	**81**	434
2.700% senior unsecured notes due February 2020	**398**	–
3.350% senior unsecured notes due February 2022	**396**	–
4.250% senior unsecured notes due February 2027	**594**	–
	1,469	1,882
Medium-term unsecured notes	**148**	144
Bank loans *(Note (i))*		
Secured	**318**	89
Unsecured	**1,393**	744
Loans from third parties *(Note (ii))*		
Secured	**1**	1
Unsecured	**2**	2
Other loan *(Note (iii))*	**41**	–
Total borrowings	**3,372**	2,862
Bank overdrafts *(Note (iv))*	**22**	16
The borrowings other than bank overdrafts are payable as follows *(Note (v))*:		
Within one year	**1,109**	995
In the second year	**273**	575
In the third to fifth years, inclusive	**1,393**	389
After five years	**597**	903
	3,372	2,862
Less: Amounts due within one year shown under current liabilities	**(1,109)**	(995)
Amounts due after one year	**2,263**	1,867
Total borrowings:		
At fixed rates	**2,413**	2,359
At floating rates	**959**	503
	3,372	2,862

Notes:

(i) Bank loans carry interest at fixed rates ranging from 2.25% to 5.70% per annum (December 31, 2016: from 2.45% to 5.70%) and floating rates ranging from LIBOR + 0.60% to WIBOR + 3.20% per annum at June 30, 2017 (December 31, 2016: LIBOR + 0.75% to LIBOR + 2.50%).

(ii) Loans from third parties carry interest at fixed rate of 0.90% per annum at June 30, 2017 (December 31, 2016: 0.90%).

(iii) 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.

(iv) Bank overdrafts at June 30, 2017 carry interest at fixed rate of 4.13% per annum (December 31, 2016: 3.50%).

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

Certain borrowings as at June 30, 2017 are secured by the Group's pledged bank deposits of US$12 million (December 31, 2016: US$12 million). As at June 30, 2017 and December 31, 2016, the Group's material U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under the inventory revolver, and those obligations are secured by a first priority lien on certain properties, including cash and cash equivalents, deposit accounts, inventories and intellectual property.

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no default in payment of the bank borrowings, nor did it breach any relevant financial covenants for the period ended June 30, 2017 and year ended December 31, 2016.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists 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 "**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 – Chairman and Chief Executive Officer

Under the Code provision A.2.1, the roles 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 (2016: HK$0.05 per share) for the six months ended June 30, 2017 (the "**2017 Interim Dividend**"), representing a total payment of approximately HK$733 million (equivalent to approximately US$94 million) (2016: HK$732 million, equivalent to approximately US$94 million) to the Shareholders. The 2017 Interim Dividend is expected to be paid in cash to the Shareholders on or about Friday, October 6, 2017. The register of members of the Company will be closed from Thursday, September 21, 2017 to Monday, September 25, 2017, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2017 Interim Dividend, Shareholders are reminded to lodge their transfers not later than 4:30 p.m. on Wednesday, September 20, 2017 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 2017 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 of directors of
WH Group Limited
Wan Long
Chairman and Chief Executive Officer

Hong Kong, August 14, 2017

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