



(Stock Code: 288)

WH Group Announces 2016 Annual Results
Net Profit Up 17.1% to US\$1,014 Million, Better than Market Forecasts
Sustained Growth in Operating Results and Record-High Earnings from China and US

Hong Kong, March 22, 2017 – **WH Group Limited** (“WH Group” or the “Company”), the world’s largest pork company, today announced the annual results of the Company and its subsidiaries (the “**Group**”) results for the year ended December 31, 2016.

Highlights

- Turnover increased by 1.5% to US\$21,534 million
- Operating profit (before biological asset fair value adjustments) increased by 14.8% to US\$1,788 million
- Profit attributable to owners of the Company (before biological asset fair value adjustments) increased by 17.1% to US\$1,014 million
- Operating profit for packaged meats business was US\$1,475 million (FY2015: US\$1,499 million)
- Operating profit for fresh pork business increased 141.2% to US\$545 million
- Net cash from operating activities increased by 14.7% to US\$1,850 million
- Debt to equity ratio reduced significantly by 17.5pp to 40.9%
- A final dividend of HK\$0.21 per share was recommended, bringing the total dividend payout for the year to HK\$0.26 per share

WH Group Chairman and Chief Executive Officer Mr. Wan Long said: “Despite a complex and dynamic macro environment, we capitalized on our industry value chain advantages and effective operational management and achieved an encouraging business performance in 2016. Earnings derived from China and the U.S. hit new records. The satisfactory results for 2016 were mainly driven by the progress that we made on our various integration programs. Through developing new products and improving our product mix, we persisted in structural transformation of our China business. As we launched Smithfield packaged meat products in China, we successfully adopted a dual-brand strategy in our China business. We strengthened the ‘One Smithfield’ and ‘Operational Excellence’ as our management principles in our U.S. business, We strived for fully unleashing the benefits of having vertically integrated business and enhancement in operation to increase our overall efficiencies and bring about considerable growth in our fresh pork and packaged meats businesses.

As we were exploiting further synergies, we continued to achieve significant growth in our pork product trading business. We tightened integration of our industry chain on both upstream and downstream, optimized our industry structure and lowered our operating costs. Meanwhile, through exploiting synergies

among our operations in China, the US and Europe, we made major inroads in developing our trading business, establishing our business networks, capitalizing on our advantages and achieved significant development, seeing to enhance our global competitiveness and profitability.

“In addition to achieving remarkable results, we also significantly enhanced the performance in our international operations, financial structure and corporate branding efforts. It has been three years since we acquired Smithfield. It was during these three years that we led a new path of multi-national operations and reconstructed the landscape of the world’s pork industry. In doing so, we successfully launched ourselves on an international business platform and enhanced our corporate competitiveness. Benefitting from our strong operating cash flows of the Group, our capital structure kept strengthening. Debt to EBITDA ratio maintained at below 2 times in 2016. During the year, the improved credit profile of the Group was recognized by the three international rating agencies in their first assignment of corporate ratings to the Group/Company, representing endorsements of the significant improvements in our creditworthiness. Another exciting accomplishment for the Group in 2016 was that we debuted in the ‘Fortune Global 500’ list, a very encouraging achievement that raised the bar for management excellence among ourselves.”

Business Segments Discussion

Packaged Meat Products

The packaged meat products segment has always been our core business and it remained stable. During the year, the turnover of our packaged meats was US\$11,074 million, accounting for 51.4% of the total turnover of the Group. The operating profit of packaged meats was US\$1,475 million, accounting for 82.5% of the Group’s operating profit. The sales volume of packaged meats remained stable at 3.2 million metric tons.

For the China Business, to maintain a stable operating profit margin against a backdrop of higher hog prices, the Group managed raw material costs prudently through adjusting inventory levels and increasing imports. The Group saw a 1.4% growth volume in China as its low temperature products performed well and the distribution network was further expanded. In addition, a number of new products were launched during the year, including American style bacon, ham and sausage products of Smithfield-brand manufactured in China. The Group also continued to improve its business processes so as to enhance the labor efficiency and save costs.

Despite the volume stayed flat, sales of the U.S. business of the Group continued to grow as WH Group achieved better average price points with stronger brands. The Group endeavors to achieve better growth by managing the market, the product positioning and the selling processes in a cohesive approach under the ‘One Smithfield’ initiative, seeking to achieve steady growth in operating profit and operating profit margins of meat products in the U.S.

Fresh pork

With a wealth of industry experience and sharp market insights, WH group proactively responded to shifts in demand and supply, regulated levels of slaughtering activities and adjusted meat prices in respective markets. The total number of hogs processed in 2016 was 49.3 million heads, an increase of 2.0% over 2015. External sales volume of fresh pork during the year was 4.2 million metric tons, 7.2% more than 2015. The volume increased in both China and the U.S., at 16.2% and 3.2%, respectively. Fresh pork turnover grew 6.8% to US\$9,178 million and the operating profit of fresh pork grew significantly 141.2% to US\$545 million.

The Group rationalized scales of external and domestic sales to capitalize on opportunities for maximizing profit. For China in particular, the Group introduced more imported pork for direct sales in the market and successfully added an additional profit source. In the US, the operating profit of fresh pork increased about 2.8 times in 2016. The great enhancement in profitability was primarily due to the Group's success in capturing the relative good value of meats in conjunction with a relative low cost of hogs. The implementation of the plant land improvement plans, better pricing mechanism and expanded export sales were also drivers of higher margins during the year.

Hog production

During the year, hog production volume remained stable at 19.2 million heads. The vast majority of the Group's hog production business was in the U.S.. Therefore, the decrease in turnover was driven by the lower hog prices in the U.S.. The effective hedging programs enabled the Group to outperform the market in general. The hog production business in China, benefited from the elevated hog prices, saw the operating profit more than double. The Group achieved overall growth in performance due to the growth in the production and sales of meat products and fresh pork, effectively offsetting the adverse effects of fluctuations in the hog market.

Outlook

Mr. Wan Long said: "Looking ahead in 2017, global economic activities are expected to gather pace after a year of subdued growth in 2016, while the global political and economic environment is heading into a period of more uncertainties and instabilities, presenting us with both opportunities and challenges. Since the Group is in the staple food business, we are very confident about sustained growth in our business. On the whole, we shall continue to integrate global resources, accelerate development of international trade and promote coordinated development of our global business.

For the U.S. business, the Group will adhere to our corporate strategies to achieve 'Operational Excellence' in the existing operations and to continue our transformation into a consumer goods company. At the same time, the Group will initiate the 'Earnings Implement and Growth Plan', seeking to lay a foundation for growth in the next stage.

For the China business, the Group Company will continue to adhere to the operating principle of 'restructuring, expanding the network, promoting transformation and scale', accelerating the scale

expansion of the slaughtering operations, adjusting and improving the product structure of meat products, expanding the deep processing industry and pushing forward with better development. The Group endeavors to provide healthy, delicious and diverse pork food for consumers to live healthier, higher quality and more dynamic lives.”

About WH Group Limited (HKEx stock code: 288)

WH Group Limited is the largest pork company in the world with the top market share in China, the US and some markets in Europe. It owns many well-recognized and trusted brands and stands above the rest with global market leadership in all key segments of the pork value chain, including packaged meats, fresh pork and hog production. The Group conducts its operations through Henan Shuanghui Investment & Development Co., Ltd., the largest animal protein company in Asia, and Smithfield Foods, the largest pork company in the US For more information, visit www.wh-group.com.

For media enquiries

Hill+Knowlton Strategies

Peter Chan/ Renee Chan/ Judith Cheung

+852 2894 6211/ 2894 6232/ 2894 6235

peter.chan@hkstrategies.com / renee.chen@hkstrategies.com / judith.cheung@hkstrategies.com

WH Group

Christine Wang

+852 2922 0770

christine.wang@wh-group.com