萬洲國際
WH GROUP

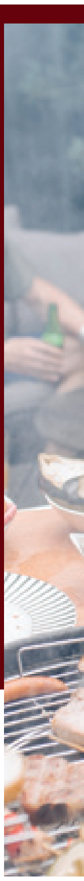
萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 288

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION



Legal Name of the Company
WH Group Limited

Place of Listing and Stock Code
The Shares of the Company were listed on the Main Board of the Stock Exchange on August 5, 2014

Stock Code: 288

Company Website
www.wh-group.com

Directors
Executive Directors
Mr. WAN Long (Chairman and Chief Executive Officer)
Mr. WAN Hongjian (Deputy Chairman and Vice President)
Mr. GUO Lijun (Executive Vice President and Chief Financial Officer)
Mr. Dennis Pat Rick ORGAN (President and Chief Executive Officer of Smithfield)
Mr. MA Xiangjie (President of Shuanghui Development)

Non-executive Director
Mr. JIAO Shuge

Independent Non-executive Directors
Mr. HUANG Ming
Mr. LEE Conway Kong Wai
Mr. LAU, Jin Tin Don

Company Secretary
Mr. CHAU Ho

Audit Committee
Mr. LEE Conway Kong Wai (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Remuneration Committee
Mr. HUANG Ming (Chairman)
Mr. LEE Conway Kong Wai
Mr. JIAO Shuge

Nomination Committee
Mr. WAN Long (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Environmental, Social and Governance Committee
Mr. GUO Lijun (Chairman)
Mr. WAN Hongjian
Mr. Dennis Pat Rick ORGAN
Mr. MA Xiangjie
Mr. LAU, Jin Tin Don

Food Safety Committee
Mr. WAN Long (Chairman)
Mr. WAN Hongjian
Mr. Dennis Pat Rick ORGAN
Mr. MA Xiangjie
Mr. LEE Conway Kong Wai

Risk Management Committee
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. Dennis Pat Rick ORGAN
Mr. MA Xiangjie
Mr. LEE Conway Kong Wai

Auditor
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor
Paul Hastings

Principal Bankers
Bank of America N.A.
Bank of China
Coöperatieve Rabobank U.A.
Postal Savings Bank of China
The Hongkong and Shanghai Banking Corporation

Authorised Representatives
Mr. WAN Long
Mr. CHAU Ho

Share Registrar and Transfer Office
Principal
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Branch
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office
Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business and Corporate Headquarters in Hong Kong
Unit 7602B-7604A
Level 76, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	2020	2019
Key operating data		
Packaged meats sold (thousand metric tons)	**3,276**	3,345
Pork sold (thousand metric tons)	**3,946**	4,224

	2020		2019	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated)		US$ million (unless otherwise stated)	
Key financial data				
Revenue	**25,589**	**25,589**	24,103	24,103
EBITDA	**2,279**	**2,094**	2,671	2,777
Operating profit	**1,729**	**1,729**	2,031	2,031
Profit attributable to owners of the Company	**973**	**828**	1,378	1,465
Basic earnings per share (US cents)	**6.60**	**5.62**	9.37	9.96
Dividend per share (HK$)				
Interim	**0.05**	**0.05**	0.05	0.05
Final	**0.125**	**0.125**	0.265	0.265
	0.175	**0.175**	0.315	0.315

- Sales volume of packaged meats and pork decreased by 2.1% and 6.6% respectively.
- Revenue increased by 6.2%.
- Operating profit decreased by 14.9%.
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 29.4%.

Wan Long
Chairman and
Chief Executive Officer

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to report the annual report of WH Group Limited for the year ended December 31, 2020.

In 2020, facing global outbreak of COVID-19 pandemic, continual widespread of African Swine Fever ("ASF") in China and Europe, complicated and ever-changing international situation and severely hit global economy, the management team of WH Group adopted various measures to prevent pandemic, ensure safety, control costs, foster operation and resolve risks, hence overcoming challenges. Despite the year-on-year decline in production and sales scale and operating results, our fundamental quality is basically stable, laying a foundation for resumption of production and operation for later period.

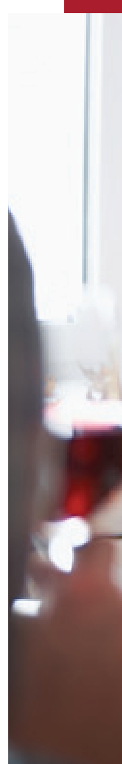
Based on the future corporate development, the Board proposed to, on top of the paid interim dividends, distribute a final dividend of HK$0.125 per share. Total dividends for the year amounted to HK$0.175 per share.

Looking back to the extraordinary year 2020, we witnessed intimidating global economic fluctuation and tackled turbulence and challenges in the industry.

China Shuanghui has effectively responded to the pandemic and rapidly resumed operation and production. By adhering to "two adjustments and one control", we expanded the processing and value of imported meat and attained synergy, which offset cost surge. Under the overlay effect of dual pandemics, our revenue and profit still achieved double digit growth and reached new high.

Affected by COVID-19 pandemic, Smithfield in the U.S. faced operation shortage, and its profitability declined sharply due to significant investment and high costs.

For Europe business, industry chain advantage was proactively exemplified, and we improved slaughtering operation and increased profit from packaged meat. Profitability still managed to increase sharply albeit the influence of both COVID-19 pandemic and ASF.



Looking forward to 2021, with gradual alleviation of global COVID-19 pandemic, it is expected that economy will recover while production and daily life will resume to normal. We will closely monitor important issues including ASF pandemic in China and Europe, commodities price trend, geopolitical and economic policies.

Preventing the pandemic and maintaining safety are still our top priorities. We will strictly prevent various risks to ensure stable and sound operation.

We will put our international industry deployment advantage into play, while consolidate our resource, and expand our corporate size and risk aversion capability. By expanding international trading and creating optimal synergy, we will continue to maintain our industry leading position.

As the world largest pork enterprise, we always adhere to the development concept of offering consumers with safe and quality food and creating long-term value for our shareholders. We optimize management, expand advantages and enhance comprehensive competitiveness, thereby fostering corporate sustainability and stable development.

Wan Long
Chairman and Chief Executive Officer

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Board consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and the remaining three are independent non-executive Directors.

WAN Long (萬隆)

Executive Director, Chairman and Chief Executive Officer

WAN Long (萬隆), age 80, was appointed as a Director on October 16, 2007 and has been the Chairman of our Board since November 26, 2010. He also holds directorships in various subsidiaries of the Group. He was designated as our executive Director on December 31, 2013 and has been the Company's chief executive officer since October 2013. Mr. Wan Long has been the chairman of the board of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Wan Long joined Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) in May 1968 and became the general manager of the factory in 1984. Under Mr. Wan Long's direction, our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. Mr. Wan Long has over 50 years of experience in the meat processing industry. He was a representative of the Ninth to Twelfth China's National People's Congress (中華人民共和國全國人民代表大會) in 1998, 2003, 2008 and 2013 and was appointed as an executive director of the China Meat Association (中國肉類協會) from December 2006 to December 2011 and a senior consultant of the China Meat Association (中國肉類協會) in 2001. Mr. Wan Long received his professional certificate in business management from the Henan University of Animal Husbandry and Economy (河南牧業經濟學院, previously The Henan Business College (河南商業專科學校)) in May 1991 and was awarded the senior economist professional qualification issued by the Henan Province Advanced Professional Titles Adjudication Committee (Economic Disciplines) (河南省經濟系列高級評審委員會) in July 1999. Mr. Wan Long is the father of Mr. Wan Hongjian.

WAN Hongjian (萬洪建)

Executive Director, Deputy Chairman and Vice President

WAN Hongjian (萬洪建), age 52, was appointed as an executive Director on March 26, 2018 with effect from June 4, 2018 and as the deputy chairman of our Board on August 14, 2018. He has also served as a vice president of the Company since April 2016. He is responsible for the international trading business of the Group. Previously, Mr. Wan Hongjian served as a cooked food workshop worker at Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) from October 1990 to December 1991, as a sales officer in the Beijing sales office of Shuanghui Group from January 1992 to October 1993, as a deputy director of the foreign trading department of Shuanghui Group from November 1993 to September 2010, as deputy general manager of Rotary Vortex in charge of international trading business from February 2012 to October 2013 and as a director of international trading department of the Company from November 2015 to March 2016. Mr. Wan Hongjian graduated from Henan Radio and Television University (河南廣播電視大學) with an associate degree in commercial business management in July 1990. He is the son of Mr. Wan Long.

GUO Lijun (郭麗軍)

Executive Director, Executive Vice President and Chief Financial Officer

GUO Lijun (郭麗軍), age 50, was appointed as an executive Director on December 31, 2013. He has also served as an executive vice president and the chief financial officer of the Company since April 2016. He also holds directorships in various subsidiaries of the Group. Prior to this, Mr. Guo was our deputy chief executive officer from October 2013 to January 2014, and a vice president and the chief financial officer of the Company from January 2014 to March 2016. Mr. Guo has over 20 years of experience overseeing the financial operations of various companies. Mr. Guo worked as an accountant in the finance department of the Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) from June 1993 to March 1996. Mr. Guo was also the financial controller of Luohe Chinachem Shuanghui Packaging Industry Co., Ltd. (漯河華懋雙匯化工包裝有限公司) and Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑料工程有限公司) from April 1996 to February 2001. Mr. Guo held various positions in Shuanghui Group from March 2001 to August 2012, including serving as its deputy director, its director of the finance department and its chief financial officer. In addition, Mr. Guo was also the executive vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) from August 2012 to October 2013.

Mr. Guo obtained his adult higher education diploma in financial accounting from Henan Radio and Television University (河南廣播電視大學) in July 1994 and obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in December 2004. Mr. Guo received his assistant accountant certificate awarded by the PRC Ministry of Personnel (中華人民共和國人事部) in October 1994.

Dennis Pat Rick ORGAN

Executive Director, President and Chief Executive Officer of Smithfield

Dennis Pat Rick ORGAN, age 47, was appointed as an executive Director on January 4, 2021. He has served as a director, president and chief executive officer of Smithfield (an indirect wholly-owned subsidiary of the Company) since November 27, 2020. He has served in various other positions with Smithfield since joining Smithfield in 2010, including vice president from September 2010 to September 2011, senior vice president from December 2015 to December 2018, and chief operating officer from December 2018 to November 26, 2020. Mr. Organ has expertise in overseeing the day-to-day operations of Smithfield's entire vertically integrated business. Mr. Organ began his food industry career as a management trainee with the G&R Felpausch Co., a grocery chain in Michigan, going on to serve as bakery and deli merchandiser for Nash Finch Company (NAFC), director of the bakery and deli department for Spartan Stores Inc. (SPTN), and general manager of the Chicago region of Sherwood Food Distributors LLC.

Mr. Organ obtained his Master of Business Administration from The University of Wisconsin-Eau-Clare in 2011.

MA Xiangjie (馬相傑)

Executive Director and President of Shuanghui Development

MA Xiangjie (馬相傑), age 49, was appointed as an executive Director on March 26, 2018 with effect from June 4, 2018. He has also served as a director and the president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 22, 2018 and December 26, 2017, respectively. Previously, he served as the vice president of Shuanghui Development and the general manager of its fresh food division from August 25, 2012 to December 25, 2017. He also holds directorships in various subsidiaries of the Group. Mr. Ma has over 25 years of work experience with the Group. Mr. Ma was the deputy director of Shuanghui Development in charge of the production of fresh meat products department from September 2008 to September 2010. He also served as the general manager of the integrated business department of Shuanghui Group from September 2010 to April 2012. In addition, he has worked as the director of Shuanghui Development Ingredients Factory (雙匯發展香輔料分廠) since May 2001; as a general manager of Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司) since August 2003; as a general manager of Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司) since April 2004; as a managing director of Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司) since October 26, 2012; as a director of Fuxin Shuanghui Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司) since February 22, 2013; as a director of Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司) since February 22, 2013 and as a director of Shaanxi Shuanghui Food Co., Ltd. (陝西雙匯食品有限公司) since November 19, 2013.

Mr. Ma graduated from the faculty of storage and processing of agricultural products from the Henan Agricultural University (河南農業大學) in July 1996, obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in March 2005 and received his master's degree in food engineering from the Northwest A&F University (西北農林科技大學) in June 2010. In addition, Mr. Ma obtained his qualification as an engineer of light industries issued by the People's Government of Luohe City in June 2003, his qualification as a senior economist issued by the People's Government of Henan Province in March 2019 and his professional light industry senior engineer qualification (vice senior grade) issued by the Human Resources and Social Security Department of Henan Province in April 2020.

JIAO Shuge (焦樹閣)

Non-executive Director

JIAO Shuge (焦樹閣), age 55, was appointed as our Director on April 28, 2006. He served as the deputy chairman of our Board from November 26, 2010 to August 14, 2018. He also holds directorships in various subsidiaries of the Group. He was designated as a non-executive Director on December 31, 2013. Mr. Jiao has been a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Jiao is also currently a director and managing partner of CDH China Management Company Limited.

Mr. Jiao has served an independent non-executive director of China Southern Airlines Company Limited (a company listed on the Stock Exchange with stock code 01055) since June 2015, a director of Hainan Poly Pharm Co. Ltd (a company listed on the Shenzhen Stock Exchange with stock code: 300630) since June 2015, the chairman of Ningbo Akin Electronic Technology Co., Ltd. (its shares listed on the National Equities Exchange and Quotations with stock code: 830806) since March 2016 and the chairman and a non-executive director of Mabpharm Limited (a company listed on the Stock Exchange with stock code 02181) since July 2018.

Mr. Jiao was a researcher in the China Aerospace Service and Technology Corporation (中國航天科技集團公司第710研究所) from August 1989 to January 1995. He served as the vice general manager of the direct investment department of China International Capital Corporation Ltd. (中國國際金融有限公司) from December 1995 to August 2002. Mr. Jiao has a broad range of experience serving as directors of various listed companies, including as a non-executive director from February 18, 2004 to April 12, 2012 and as an independent non-executive director since April 12, 2012 of China Mengniu Dairy Co., Ltd. (a company listed on the Stock Exchange with stock code 02319). He also served as a non-executive director of China Yurun Food Group Limited (a company listed on the Stock Exchange with stock code 01068) from April 13, 2005 to September 22, 2012, a non-executive director of China Shanshui Cement Group Co., Ltd. (a company listed on the Stock Exchange with stock code 00691) from November 30, 2005 to May 16, 2014 and a director of Joyoung Company Limited (a company listed on the Shenzhen Stock Exchange with stock code 002242) from September 12, 2007 to April 27, 2020.

Mr. Jiao graduated from Shandong University (山東大學) with a bachelor of mathematics in July 1986, and obtained his master's degree in engineering from the No. 2 Research Institute of Ministry of Aeronautics and Astronautics of China in October 1989.

HUANG Ming (黃明)

Independent Non-executive Director

HUANG Ming (黃明), age 57, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Huang served as an assistant professor of finance at the Graduate School of Business, University of Chicago from April 1996 to June 1998; as an assistant professor of finance from July 1998 to August 2001 and as an associate professor from September 2001 to June 2005 at the Graduate School of Business, Stanford University; and as an associate dean and professor of finance from July 2004 to June 2005, a professor of finance from July 2008 to June 2010 at the Cheung Kong Graduate School of Business (長江商學院) and as a professor of finance at China Europe International Business School (中歐國際工商學院) from July 2010 to June 2019. Mr. Huang was also appointed as the Dean of School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to April 2009. He has been a professor of finance with tenure at Cornell University since July 2005.

Mr. Huang has served as an independent director of JD.com, Inc. (a company listed on the US NASDAQ Stock Exchange with stock code NASDAQ: JD) since March 2014 and 360 Security Technology Inc. (a company listed on the Shanghai Stock Exchange with stock code 601360) ((formerly known as SJEC Corporation) (a company listed on the Shanghai Stock Exchange with stock code 601313)) since February 2018. Mr. Huang served as a non-executive director of Tebon Securities Co., Ltd. (德邦證券股份有限公司) from June 2011 to July 2014, Qihoo 360 Technology Co. Ltd. (a company listed on New York Stock Exchange with stock code QIHU and delisted with effect from July 18, 2016) from March 2011 to July 2016 and of Guosen Securities Co. Ltd. (國信證券股份有限公司) from June 2011 to December 2017. He served as an independent non-executive director of China Medical System Holdings Limited (a company listed on the Stock Exchange with stock code 00867) from October 2013 to December 2017, of Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) from October 2009 to May 2019, of China Shenhua Energy Company Limited (a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 1088) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601088) from April 2018 to August 2019, and of Yingli Green Energy Holding Company Limited (a company listed on the New York Stock Exchange with stock code YGE and delisted with effect from July 17, 2018) from August 2008 to February 2020.

Mr. Huang obtained his bachelor's degree in physics from Peking University in July 1985, his doctor's degree in physics from Cornell University in July 1991 and his doctor's degree in finance from Stanford University in August 1996.

LEE Conway Kong Wai (李港衛)

Independent Non-executive Director

LEE Conway Kong Wai (李港衛) age 66, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. In addition, Mr. Lee has extensive experience as an independent non-executive director of listed companies and currently serves as an independent non-executive director in the following companies listed on the Main Board of the Stock Exchange: Chaowei Power Holdings Limited (with stock code 00951) since July 2010, West China Cement Limited (with stock code 02233) since July 2010, China Modern Dairy Holdings Ltd. (with stock code 01117) since December 2010, Gome Electrical Appliances Holding Limited (with stock code 00493) since March 2011, NVC Lighting Holding Limited (with stock code 02222) since November 2012, Yashili International Holdings Ltd. (with stock code 01230) since November 2013, GCL New Energy Holdings Limited (with stock code 0451) since May 2014 and Guotai Junan Securities Co., Ltd. ("GTJA") (with stock code 02611) since April 2017. Mr. Lee also serves as an independent director of GTJA (a company listed on the Shanghai Stock Exchange with stock code: 601211) since April 2017. Formerly, Mr. Lee also served as a non-executive director and the deputy chairman of Merry Garden Holdings Limited (a company listed on the Stock Exchange with stock code 01237) from July 2014 to September 2015, an independent non-executive director of China Taiping Insurance Holdings Company Limited (a company listed on the Stock Exchange with stock code 00966) from October 2009 to August 2013, of Sino Vanadium Inc. (a company listed on the Toronto Stock Exchange with stock code SVX) from October 2009 to December 2011, of CITIC Securities Company Limited (with stock code 06030) from November 2011 to May 2016, of Tibet 5100 Water Resources Holdings Ltd. (with stock code 01115) from March 2011 to February 2020 and of China Rundong Auto Group Limited (with stock code 01365) since August 2014 to December 2020. Mr. Lee had been a partner of Ernst & Young (HK) from September 1980 to September 2009.

Mr. Lee was a member of the Chinese People's Political Consultative Conference of Hunan Province in China between 2008 and 2017. He received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and subsequently obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. He is a member of the Institute of Chartered Accountants in England and Wales, the Chartered Accountants, Australia and New Zealand (formerly known as the Institute of Chartered Accountants in Australia), the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.

LAU, Jin Tin Don (劉展天)

Independent Non-executive Director

LAU, Jin Tin Don (劉展天), age 64, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Lau served as an executive director and one of the responsible officers of Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code 01426) from April 2013 to May 2017. Prior to joining Spring Asset Management Limited in 2013, he was the deputy group financial controller of Yuexiu Property Company Limited (a company listed on the Stock Exchange with stock code 00123). From 2005 to 2010, he was also the deputy chief executive officer, compliance manager and one of the responsible officers of Yuexiu REIT Asset Management Limited which is responsible for managing the assets of Yuexiu Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code of 00405).

Mr. Lau obtained a master's degree in applied finance from Macquarie University.

Senior Management

Our senior management is responsible for the day-to-day management of our business.

QIAO Haili (喬海莉)

QIAO Haili (喬海莉), age 56, has served in various positions within the Group. She has been the vice president of the quality control management of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since February 2019, responsible for the quality control management of Shuanghui Development. She also holds directorships in various subsidiaries of the Group. Ms. Qiao served as the vice president of the production and operations division of Shuanghui Development from November 2014 to February 2019, where she was responsible for the production and operations work stream of Shuanghui Development, and since November 2016 she was also responsible for the quality control management of Shuanghui Development, as the vice president and general manager of Shuanghui Development's meat processing division from September 2012 to October 2014 and a deputy general manager of its meat product department from August 2009 to August 2012, where she has been primarily responsible for the general operation of meat products production. Ms. Qiao served as a deputy director of the hygiene inspection department and as a workshop manager of Shuanghui Group from August 1986 to September 1995. Ms. Qiao also served as a director of the hygiene inspection department and the third business division of Shuanghui Group from September 1995 to February 1998. In addition, Ms. Qiao served as the general manager in Luohe Shuanghui Canned Foods Company Limited (漯河雙匯罐頭食品股份有限公司) from February 1998 to October 2004; as a director in Shuanghui Development from November 2001 to October 2004; and as the general manager in Shuanghui Development Meat Processing Division Factory (雙匯發展肉製品分廠) from November 2004 to August 2009.

Ms. Qiao obtained her associate veterinarian degree from the Zhengzhou Junior College of Animal Husbandry and Veterinary Medicine (鄭州畜牧獸醫專科學校) in July 1986. She also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005. Ms. Qiao received her qualified veterinarian certificate issued by the People's Government of Luohe City in December 1998.

WANG Yufen (王玉芬)

WANG Yufen (王玉芬), age 53, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), being in charge of technology research, since September 2012, and as the chief engineer of Shuanghui Development for over 22 years since March 1998. She also holds directorships in various subsidiaries of the Group. Ms. Wang has worked with the Group for over 29 years. Ms. Wang served in Henan Luohe Meat Products Processing United Factory Meat Product Branch (河南省漯河肉聯廠肉製品分廠) from October 1987 to August 1991 as a technician, from August 1991 to September 1992 as a director, and from September 1992 to March 1993 as the deputy head. She was the institute director of Henan Luohe Meat Products Processing United Factory Food Institute (河南省漯河肉聯廠食品研究所) from March 1993 to March 1998. Ms. Wang was a director of the technology center of Shuanghui Group from March 1998 to November 2001.

Ms. Wang completed her correspondence studies in food engineering in Zhengzhou University of Light Industry (鄭州輕工業學院) in June 1997, obtained her senior engineer of food research certificate issued by the People's Government of Henan Province in May 2002 and also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005.

LIU Songtao (劉松濤)

LIU Songtao (劉松濤), age 44, has served as the executive vice president and chief financial officer of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since December 26, 2017 and is in charge of finance, information technology and finance company. He also holds directorships in various subsidiaries of the Group. Previously, Mr. Liu served as the vice president of Shuanghui Development and was in change of finance from August 25, 2012 to December 25, 2017, as a director of the finance department of Shuanghui Group from May 2003 to August 2012, as a director of the finance department of Shuanghui Development Luohe Slaughter Factory (雙匯發展漯河屠宰分廠) from March 2003 to May 2003, and as a director of the finance department of Luohe Huayi Food Co., Ltd. (漯河華意食品有限公司) from March 2002 to March 2003. Mr. Liu was awarded the bachelor's degree of chrematistics by Henan University (河南大學) in July 2000.

NUNZIATA Glenn

NUNZIATA Glenn, age 47, has served as Smithfield's executive vice president and chief financial officer since September 2015. As chief financial officer, Mr. Nunziata leads Smithfield's finance, accounting, treasury, risk management and IT functions and serves as Smithfield's principal accounting officer. Prior to joining Smithfield, Mr. Nunziata served as a partner in assurance services at the multinational professional services firm of Ernst & Young LLP, having been with Ernst & Young for 19 years. He has extensive experience in finance, capital markets and operational analysis as well as in matters pertaining to internal controls and corporate governance.

Mr. Nunziata obtained his bachelor of science degree in business administration from James Madison University in May 1995 and his master of science degree in accounting from James Madison University in May 1996.

CHAU Ho (周豪)

CHAU Ho (周豪), age 55, has served as our chief legal officer and as the company secretary since February 2014. He also holds directorships in various subsidiaries of the Group. Mr. Chau was an assistant to the chairman in China Rongsheng Heavy Industries Group Holdings Limited (now renamed China Huarong Energy Company Limited, listed on the Stock Exchange with stock code 01101) from April 2011 to January 2014 and as assistant to the chairman in Glorious Property Holdings Limited (listed on the Stock Exchange with stock code 00845) from March 2010 to March 2011. Mr. Chau has over 20 years of legal experience. He was an associate and subsequently a partner at the law firm Koo and Partners, which merged with the law firm Paul Hastings Janofsky & Walker (now renamed Paul Hastings), from October 1994 to February 2010. Mr. Chau received his bachelor of laws degree in November 1991 and the postgraduate certificate in laws in November 1992 from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong). In January 2003, he obtained his bachelor of laws degree from Tsinghua University. Mr. Chau has been qualified to practice as a solicitor in Hong Kong since August 1994 and has been a China-Appointed Attesting Officer since April 2006. He has also been qualified to practice as a solicitor in England and Wales since September 2008.

Business Review

Overcoming Challenges, Optimizing Opportunities

I. 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 characterised distinctively.

China

China is the largest pork producer and consumption market in the world. Such market is expected to expand further. Generally, the development of the pork industry in China is largely dependent on its regulatory environment, as well as the pace of economic growth and improvement of people's living standard. Nevertheless, the short-term trend is impacted by the industry cycle and animal epidemic.

According to the National Bureau of Statistics of China, the total production of hogs in 2020 was 527 million heads, 3.2% lower than that of 2019. The total production of pork was 41.1 million tons, a decrease of 3.3% as compared to that of the previous year. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**MOA**"), the average hog price in 2020 was RMB33.91 (approximately US$4.91) per kilogram ("**kg**"), an increase of 60.3% over that of 2019. The main driving factor of the industrial trends above was the enduring effect of African Swine Fever ("**ASF**").

Since the first report of ASF in China in August 2018, the reduction of supplies and elevation of prices changed the landscape of the industry, harmed the operation of processors and affected the daily consumption and livelihood of the people. To restore production and curb soaring hog (therefore pork) prices, the government adopted various supportive measures. Breeders gained experience in ASF control over time and were incentivised by the high level of profitability to actively rebuild their herd. As a result, the progress of industrial consolidation accelerated and the decrease in hog supplies narrowed year on year. However, the shortage of hog supplies remained, and hog prices hovered at a high level throughout 2020.

In 2020, the industry was also challenged by the outbreak of coronavirus disease 2019 ("**COVID-19**") pandemic in terms of, among others, ways to prevent infection, curtail business interruptions and adapt to demand shift. On a positive note, the impact was temporary as COVID-19 was swiftly contained in China. Given the importance of pork in Chinese diet and the reopening of food services subsequent to the containment of COVID-19, demand remained strong. Coupled with the high prices, the importation of pork was very conducive in 2020. According to the statistics of the General Administration of Customs of China, the total volume of imported pork during the year was 4.39 million tons, 108.3% higher than that of the previous year. Key importing regions to China were the European Union (the "**EU**"), the U.S. and Canada in descending order of volume. Out of which, the volume of U.S. imports grew significantly in 2020.

U.S.

The U.S. is the second largest pork producing country worldwide. In contrast to the pork industry in China, the pork industry in the U.S. is relatively mature and concentrated. As the U.S. is also the world's largest pork exporting country, hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets.

With reference to the statistics of the United States Department of Agriculture (the "**USDA**"), overall animal protein production in the U.S. was up by 1.2% in 2020, in which pork rose 2.4%, chicken rose 1.5% and beef was relatively flat. Notwithstanding the interruptions of COVID-19, the production of pork grew due to the expansion of hog production volumes and increase in body weights of each marketable hog.

Due to the increase in production, hog prices during the year were under pressure and were further weighed down by the backlog of hogs caused by COVID-19. Such backlog of hogs was because of the reduction in utilization of processing capacity resulting from capacity utilization plants closures, labour supply shortages and adoption of stringent and detailed protective measures enforced by government bodies under the pandemic. The average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.00 per kg in 2020, a decrease of 10.7% over that of 2019.

In respect of pork cut-out, the average value, according to the USDA, was stable year over year but characterized with fluctuations throughout 2020. Against the backdrop of increased hog supplies, the fluctuations were mainly associated with the impact of COVID-19 because of the disruption of processing capacity and lack of food service demand. Meanwhile, the retail and export demand was favorable during the year.

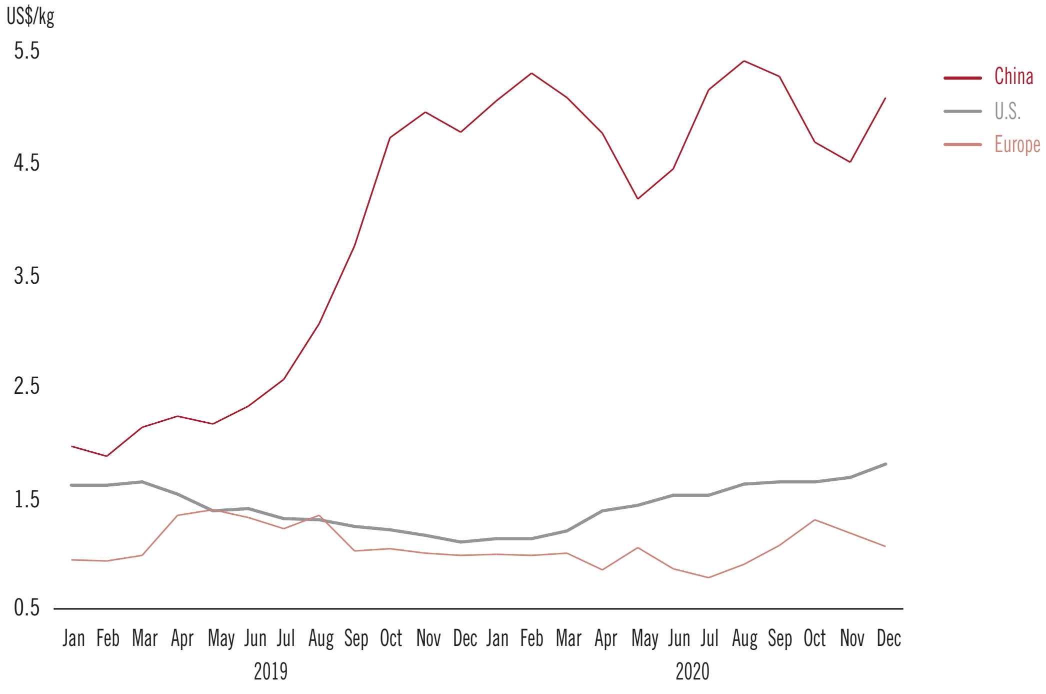
According to the USDA, the export volume of U.S. pork and offals in 2020 was up by 12.7%. As the supply-demand imbalance and boosted pork price caused by ASF continued in China and other countries, export opportunities in the U.S. increased. Driven by the difference in consumer preferences of products, price differentials, relaxation of some trade barriers and currency movements, U.S. exports to China expanded by 79.3% in 2020. Exports to Mexico and Japan were nearly flat while exports to other destinations, such as Korea, were down as compared to 2019.

Europe

The EU is the world's second biggest producer of pork after China considering all its member states collectively. The main producers are Germany, Spain, Poland, France, Denmark and Netherlands. Collectively speaking, the EU is also the biggest exporter of pork and pork products globally. Therefore, its pork prices are highly sensitive to export conditions.

According to the statistics disclosed by the European Commission, average pork production of the member states of the EU increased by 1.0% in 2020 despite the negative impacts of COVID-19 as strong demand from China supported production expansion. During the year, total export volume of the EU increased by 12.9%. Exports to China accounted for 53.0% and its volume was up 45.2%. Nevertheless, the average carcass price was Euro 1.63 per kg, a decrease of 4.5% as compared to that of 2019. In contrast to the upward trend in 2019, prices trended downward in 2020 due to market disruptions induced by COVID-19 and outbreak of ASF in some member states including its largest producer, Germany. These two events limited exports and increased supplies in the latter part of 2020.

Hog prices in China, the U.S. and Europe during 2019 and 2020



Sources: MOA, CME and European Commission

II. Results of Operations

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

	2020	2019	Change
	US$ million		%
Revenue[1]			
— Packaged meats[2]	**12,167**	12,331	(1.3%)
— Pork[3]	**12,296**	11,015	11.6%
— Others	**1,126**	757	48.7%
	25,589	24,103	6.2%
Operating profit/(loss)			
— Packaged meats[2]	**1,499**	1,574	(4.8%)
— Pork[3]	**341**	570	(40.2%)
— Others[4]	**(111)**	(113)	(1.8%)
	1,729	2,031	(14.9%)

Notes:

(1) Revenue refers to net external sales.

(2) Packaged meats represents production, wholesale and retail sales of packaged meat products.

(3) Pork represents hog farming, slaughtering, wholesale and retail sales of fresh and frozen pork.

(4) Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business as it accounted for 86.7% of the Group's operating profit in 2020 (2019: 77.5%). Its contribution to the Group's revenue was 47.5% in 2020 (2019: 51.2%). Our pork segment accounted for 19.7% of the Group's operating profit in 2020 (2019: 28.1%). Its contribution to the Group's revenue was 48.1% (2019: 45.7%).

Geographically, our operations in China contributed 42.3% and 65.9% of the revenue and operating profit of the Group in 2020 (2019: 36.3% and 47.1%) respectively. Contribution of our operations in the U.S. to the revenue and operating profit of the Group in 2020 were 48.3% and 24.0% (2019: 54.6% and 45.9%) respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	2020	2019	Change
	US$ million		%
Revenue			
China	**4,037**	3,615	11.7%
U.S.	**7,157**	7,814	(8.4%)
Europe	**973**	902	7.9%
	12,167	12,331	(1.3%)
Operating profit			
China	**836**	673	24.2%
U.S.	**571**	847	(32.6%)
Europe	**92**	54	70.4%
	1,499	1,574	(4.8%)

In 2020, packaged meats sales volume of the Group decreased by 2.1% to 3,276 thousand metric tons. In China, sales volume during the year was 0.9% lower than the level of 2019 as consumer market slowed down and production was suspended at the beginning of the outbreak of COVID-19. Meanwhile, we continued to transform our product portfolio by introducing new products, developing new sales channels and expanding marketing input. Driven by several well received products such as "辣嗎辣香腸", "火炫風刻花香腸" and "無澱粉王中王", our new products achieved considerable volume growth in the year. Sales volume in the U.S. was down by 4.4% in 2020 as restrictions on social and dining activities under COVID-19 affected the demand from food services. Historically, the food service channel accounted for about a quarter of our packaged meats sales volume in the U.S. Whereas in 2020, sales volume through such channel reduced by almost 30%. Notwithstanding our efforts to redirect the sales to other channels, the decrease in total volume was not fully mitigated. In Europe, our sales volume increased by 3.2% as we added new production lines to expand our capacity.

Revenue in 2020 decreased by 1.3% to US$12,167 million. Revenue in China increased by 11.7% as the impact of price adjustments outweighed the decrease in sales volume. In the U.S., revenue was down 8.4% as sales volume and prices were lower as compared to those of the previous year due to demand contraction during the pandemic. In Europe, revenue increased by 7.9% as a result of growth in both sales volume and prices.

Operating profit was US$1,499 million in 2020, a decrease of 4.8% as compared to 2019. Out of which, operating profit in China increased by 24.2%. Although the cost of our dominant raw material, pork, continued to increase due to supply limitation imposed by ASF, operating profit grew as the gain from price and product mix adjustments outpaced the impact of unfavorable costs of sales. In the U.S., operating profit in the year declined notably by 32.6% primarily due to the impact of COVID-19 which included production inefficiency, unfavorable sales, incremental charges on employee protection and workforce stabilization as well as provisions made on the expected losses of receivables and inventories. In Europe, our operating profit increased substantially by 70.4% as compared to 2019 because the growth in sales countervailed higher raw material and production costs.

Pork

	2020	2019	Change
	US$ million		%
Revenue			
China	**6,073**	4,727	28.5%
U.S.	**5,169**	5,344	(3.3%)
Europe	**1,054**	944	11.7%
	12,296	11,015	11.6%
Operating profit/(loss)			
China	**271**	249	8.8%
U.S.	**(33)**	233	N.A.
Europe	**103**	88	17.0%
	341	570	(40.2%)

Total number of hogs processed in 2020 was 46,630 thousand heads, a decrease of 13.3% over that of 2019. External sales volume of pork was 3,946 thousand metric tons, 6.6% lower than the level of the previous year. The decrease was caused by our business in China and the U.S. but the growth of our business in Europe has partially offset such decrease.

In China, the number of hogs processed reduced sharply by 46.3% to 7,092 thousand heads. In 2019, we took advantage of our widely established production and logistics facilities to seize the opportunity of relatively low hog prices to enlarge our production scale. However, as the impact of ASF manifested, our processing volume in 2020 was constrained by the reduction in market supplies of live hogs and softening in demand. Despite the drastic decline in processing volume, the decrease in external sales volume of pork was only 6.9% as we benefited from the growth of import business. In the U.S., our processing volume and external sales volume of pork were also down as capacity utilization was held back by labour shortage, temporary closure of facilities and implementation of more stringent protective measures in relation to COVID-19. In Europe, our processing volume and external sales volume of pork increased by 11.2% and 10.7% respectively as a result of utilizing the newly acquired capacity in Poland.

Pork revenue increased by 11.6% to US$12,296 million in 2020 as revenue in China and Europe grew. In China, revenue rose by 28.5% from that of the previous year because the impact of increased pork prices surpassed the decrease in sales volume. In Europe, revenue increased by 11.7% mainly due to sales volume growth. On the other hand, revenue in the U.S. was down by 3.3% primarily due to the reduction in production and sales volume.

Our operating profit of pork decreased from US$570 million in the previous year to US$341 million in the year. In China, despite the lower level of hog slaughtering activity and profit in 2020, operating profit grew 8.8% with the increase in earnings associated with processing and sale of imported pork. In the U.S., we recorded an operating loss of US$33 million in 2020 as compared to an operating profit of US$233 million in 2019. Although hog costs were low while pork prices were stable, the negative impact of COVID-19 outweighed the benefit of such market dynamics. Operating profit of pork reduced significantly due to lower sales, production inefficiencies and incremental charges on employees protection. In Europe, operating profit increased by 17.0% in 2020. The main reasons of the increase were the growth in sales and decrease in hog costs with stable pork prices.

Others

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

During the year, revenue generated by our other businesses amounted to US$1,126 million, an increase of 48.7% as compared to that of the previous years. Our poultry business in Europe and China and logistics business in China made a respectable contribution to our other businesses. Our poultry business processed approximately 164 million heads of broiler, goose and turkey in 2020 (2019: 129 million heads). The growth of poultry business is an integral part of our strategy in protein diversification. Our logistics business currently owns 19 logistics centers across 15 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and pork to customers timely and safely.

III. Production Capacity

The Group has production facilities with state-of-the-art equipment located in China, the U.S. and part of Europe. As at the year end of 2020, we owned an annual production capacity of packaged meats of approximately 2.12 million metric tons, 1.71 million metric tons and 0.42 million metric tons with utilization rates of 74.1%, 75.2% and 76.4% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Europe were approximately 23.73 million heads, 34.06 million heads and 7.63 million heads and their utilization rates were 29.9%, 94.4% and 87.0%, respectively in 2020.

OUTLOOK

As the world largest pork enterprise, WH Group possesses international production deployment and vertically integrated production chain, and is a consumer good company with branded packaged meats as our core business. Our business has always been affected by changes in environment, including economic growth, consumers' preference, industry cycle and pandemic.

In 2020, the overlay effects of COVID-19 pandemic, continuation of ASF and unstable geopolitical relations brought us unprecedented challenges. Stepping into 2021, as signs of alleviation of COVID-19 were shown across the globe, demand and production are expected to gradually return to normal. Nonetheless, ASF pandemic still remains in China and Europe, while there are uncertainties in world economic trend and geopolitical relations as well as surge in commodities price. We will closely keep abreast of these issues and make timely adjustments to prevent risks and overcome challenges.

Preventing the pandemic and maintaining safety are still our top priorities. For operation, we will continue to promote product structure adjustment, innovate marketing, optimize production chain, and develop diversified segments of meat industry. By increasing investment and optimizing management, we will unleash our potentials, enhance production efficiency, consolidate our resources, expand the added value for international trading and imported products processing, thereby creating an optimal synergy. We will also increase efforts on hedging management and curb commodities price fluctuation risk.

Looking forward, we will capture the favorable time of industry integration and foster corporate expansion in a stable manner. By further ramping up our corporate competitiveness and expanding our comprehensive strengths, we will maintain our industry leading position, continuously offer consumers with quality products, and create long-term value for our shareholders, employees and the community.

Financial Review

I. Key Financial Performance Indicators

		2020	2019	Change
Revenue growth rate	%/pp	**6.2**	6.6	(0.4)
EBITDA (before biological fair value adjustments) ratio margin	%/pp	**8.9**	11.1	(2.2)
Operating profit margin	%/pp	**6.8**	8.4	(1.6)
— Packaged meat products	%/pp	**12.3**	12.8	(0.5)
— Pork	%/pp	**2.1**	3.9	(1.8)
Per unit operating profit				
— Packaged meat products	US$ per metric ton	**457.6**	470.6	(13.0)
— Pork	US$ per metric ton	**86.4**	134.9	(48.5)
Net profit (before biological fair value adjustments) margin	%/pp	**4.8**	6.7	(1.9)
Current ratio	times	**1.9**	1.7	0.2
Cash conversion cycle	days	**44.8**	43.8	1.0
Debt to equity ratio	%/pp	**24.4**	32.7	(8.3)
Debt to EBITDA (before biological fair value adjustments) ratio	times	**1.2**	1.2	—
Return on total assets	%/pp	**6.1**	10.4	(4.3)
Return on equity	%/pp	**8.9**	17.8	(8.9)

II. Analysis of Capital Resources

Treasury Management

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

Liquidity

The Group continues to maintain an adequate level of liquidity. As COVID-19 may present unforeseen challenges to our business, we further increased our cash and bank balance as well as unutilised banking facilities during the year to ensure our financial strength and flexibility.

As at December 31, 2020, we had cash and bank balances of US$1,599 million (2019: US$552 million), which were held primarily in Renminbi ("**RMB**"), U.S. Dollar ("**US$**"), Hong Kong Dollar ("**HK$**"), Polish Zloty ("**PLN**") and Romanian Leu ("**RON**"). From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as current financial assets at fair value through profit or loss. As at December 31, 2020, the balance was US$882 million (2019: US$447 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.9 times as at December 31, 2020 (2019: 1.7 times). The aggregate amount of unutilised banking facilities as at December 31, 2020 was US$5,032 million (2019: US$2,874 million).

Cash Flows

We fund our operations principally from cash generated by our operations, bank loans and other debt instruments, as well as 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 2020, our net cash from operating activities amounted to US$2,357 million (2019: US$1,463 million). The increase in cash inflow was mainly due to the release of inventory. Our net cash used in investing activities in 2020 amounted to US$963 million (2019: US$796 million). The primary reasons for the increase in cash outflow was the increase in investment of financial products despite a reduction in capital expenditure. Our net cash used in financing activities in 2020 amounted to US$479 million (2019: US$593 million). The decrease in cash outflow was mainly a result of the capital raised from Shuanghui's Issuance of New Shares (as defined hereinafter), but was partially offset by the increase in payment of dividends and repayment of debts. As such, our net increase in cash and cash equivalents was US$915 million in 2020 (2019: US$74 million).

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.

For our wholly-owned subsidiary, Smithfield Foods, Inc. ("**Smithfield**"), Fitch assigned to it an IDR of BBB with a stable outlook. According to Standard & Poor's, the corporate credit rating of Smithfield is BBB-. The outlook is stable. The corporate family rating of Smithfield assigned by Moody's was Ba1. The outlook is also stable.

Major Financing Activities

On October 12, 2020, Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司) ("**Shuanghui Development**"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange, completed the non-public issuance of 145,379,023 new A shares of Shuanghui Development to certain specific investors and raised gross proceeds of approximately RMB7,000 million for the primary purpose of expanding our vertical supply chain of poultry and capacity of hog production as well as improving our production facilities of pork and packaged meats in China. Immediately after the completion of the issuance, the equity interest of the Company in Shuanghui Development decreased from approximately 73.41% to approximately 70.33% ("**Shuanghui's Issuance of New Shares**").

On September 15, 2020, the Group completed the issuance of 3.0% senior unsecured notes with an aggregate principal amount of US$500 million due 2030 for the partial replacement of certain existing debts and replenishment of working capital.

Debt Profile

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

	As at December 31, 2020 US$ million	As at December 31, 2019 US$ million
Borrowings by nature		
Senior unsecured notes	2,098	1,787
Bank borrowings	535	1,177
Bank overdrafts	46	—
Loans from third parties	3	3
Commercial paper	—	125
	2,682	3,092
Borrowings by geographical region		
U.S.	2,098	2,227
China	538	680
Europe	46	185
	2,682	3,092

The Group's total principal amount of outstanding borrowings as at December 31, 2020 was US$2,706 million (2019: US$3,110 million). The maturity profile is analysed as follows:

	Total
In 2021	31%
In 2022	12%
In 2023	1%
In 2027	22%
In 2029	15%
In 2030	19%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 78.3% of our borrowings was denominated in US$ as at December 31, 2020 (2019: 73.5%). The rest of our borrowings was denominated in RMB, RON, PLN, GBP and Euro.

As at December 31, 2020, 99.5% of our borrowings were unsecured (2019: 98.7%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant financial covenants during the year.

Leverage Ratios

As at December 31, 2020, our debt to equity ratio (ratio of consolidated borrowings to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings less cash and bank balances to consolidated total equity) were 24.4% and 9.9%, respectively (2019: 32.7% and 26.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings less cash and bank balances to EBITDA before biological fair value adjustments) as at December 31, 2020 were 1.2 times and 0.5 times, respectively (2019: 1.2 times and 1.0 times, respectively).

Finance Costs

Our finance costs reduced to US$135 million in 2020 from US$144 million in 2019. The decrease was mainly due to a lower effective interest rate and level of debt.

As at December 31, 2020, the average interest rate of our borrowings was 3.5% (2019: 3.7%).

III. Capital Expenditures

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

In 2020, capital expenditures amounted to US$572 million (2019: US$703 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2020 **US$ million**	2019 US$ million
China	**172**	99
U.S.	**318**	478
Europe	**82**	126
	572	703

In China, our capital expenditures for the year were mainly for the alteration of our packaged meats and poultry production facilities as well as the investment in certain environmental protection projects. Our capital expenditures in the U.S. were primarily related to the relocation and modernisation of our processing plants, expansion of our value-added packaged meats production capacity and a bioscience project. Our capital expenditures in Europe were mainly for the capacity expansion of packaged meats.

IV. Human Resources

As at December 31, 2020, the Group had approximately 107 thousand employees in total, in which approximately 48 thousand employees were with our China operation, approximately 43 thousand and 16 thousand employees were with our U.S. and European operations, respectively. We value talent management and employee engagement. Therefore, with a view to constantly improving the skills and knowledge of our employees, we provide adequate training programs. It is also our policy to ensure that remuneration for employees is appropriate and aligns with the goals, objectives and performances of the Group. Total remuneration expenses in 2020 amounted to US$3,988 million (2019: US$3,650 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement benefits scheme. The increase in remuneration expenses during the year was mainly caused by the incremental charges associated with COVID-19.

V. Biological Assets

As at December 31, 2020, we had a total of 13,463 thousand hogs, consisting of 12,383 thousand market hogs and 1,080 thousand breeding stock, an increase of 0.9% from 13,342 thousand hogs as at December 31, 2019. We also had a total of 9,439 thousand poultry, consisting of 8,804 thousand broilers and 635 thousand breeding stock, an increase of 72.1% from 5,485 thousand poultry as at December 31, 2019. The fair value of our biological assets was US$1,182 million as at December 31, 2020, as compared to US$1,244 million as at December 31, 2019.

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

In 2020, the net impact of biological fair value adjustments on our profit was a loss in the amount of US$145 million, as compared to a gain in the amount of US$85 million of last year.

VI. Key Investment Interests

Acquisition of Subsidiaries

On October 30, 2020, the Group acquired from an independent third party the entire equity interest in Edelmann Provision Company Inc. ("**Edelmann Provision**"). Edelmann Provision is a specialised supplier of pre-rigor sow meat for fresh sausage products. The acquisition expands our capacity and market share in the fresh sausage product category and is expected to enhance the margin of our packaged meats business in the U.S.

On February 22, 2021, the Group entered into an agreement with Carnibona Holdings Limited (a third party independent of the Company and its connected person) for the acquisition of 100% of the equity interests in MECOM GROUP s.r.o., Schneider Food, s.r.o., and Kaiser Food Kft. (collectively, "**Mecom Group**"). Mecom Group has two meat processing plants in Slovakia and two specialized sites in Hungary that produce salami and other meat products. It operates several brands including Mecom, Csabahus, Kaiser and Schneider in Slovakia, Hungary and Czech. The acquisition of Mecom Group is conditional on the approval by the Slovak Competition Authority and the Hungarian Competition Authority under the relevant competition law. It is expected that the completion of acquisition of Mecom Group would facilitate the Group to build its strategic footprint in Central Europe.

Investment in Joint Ventures

The Group has joint venture interests in various parts of the world. In the U.S., we have two joint ventures engaged in renewable gas operation. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LCC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. Align and Monarch convert waste from hog farming operations in Utah and Missouri into clean energy for homes, businesses and transportation. During the year, Align completed its first project and Monarch completed two additional projects for a total of six projects in operation. The Group will continue to invest in such projects and expect them to generate economic benefits as well as contribute to our environmental, social and governance goals.

In Mexico, we have joint venture interests in two pork companies, Granjas Carroll de Mexico ("**GCM**") and Norson Holdings ("**Norson**"). GCM sells live hogs into Mexico City, one of the largest pork consumption markets in the world. Starting from early 2019, it commenced processing of hogs with a newly established facility. Norson primarily produces hogs for use in its pork operations. In 2020, the Group's share of profit from the two Mexican joint ventures was US$8 million (2019: US$8 million). At the end of 2020, GCM and Norson had in aggregates, approximately 150 thousand sows and owned processing facilities with an annual capacity of 2.6 million hogs. It is expected that GCM and Norson will continue to be our important investments in Mexico and play an important role in the Group's development of North America market.

VII. 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. The risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2020, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management ("**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group are effectively in place.

Commodities Price Risks

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 and pork operations. The Group's revenue is primarily driven by the sale of packaged meats and pork. Significant price fluctuations in these commodities affect our results.

In China, we mitigate the effects of price fluctuations through strategic inventory management, effective transfer of raw material prices to end customers and overseas imports. In the U.S., our vertically integrated supply chain helps the natural hedge of commodities price changes. These commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risk. The main objective of hedges is to mitigate commodity price risk associated with the raw material costs and forward sales of our packaged meats and 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 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, cash and bank balances 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. At December 31, 2020, approximately 98.6% of our borrowings (other than bank overdrafts) were at fixed interest rates (2019: 77.1%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

VIII. Contingent Liabilities

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relation to compliance from time to time. In some instances, litigation ensues or individuals may initiate litigation against the Group. In regard to the North Carolina nuisance litigation case, all outstanding issues were resolved in January 2021 in accordance to the respective settlement agreements. Details are set out in Note 41 to Consolidated Financial Statements of this report. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

IX. Sustainability

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. 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 environmental, social and governance committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles. We conducted our materiality analysis this year by developing a process to identify key sustainability issues of our key stakeholders and prioritise the key concerns in a systematic approach, so as to guide our sustainability strategy and manage concerns which are deemed as most material to our stakeholders. The analysis results layout the foundation for material selection and preparation of our Sustainability Report.

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

In 2020, the Company was granted A-grade by the Hang Seng Corporate Sustainability Index ratings for a third consecutive year, and was selected as a constituent stock of DJSI (Dow Jones Sustainability Index) Emerging Markets in recognition of the Group's outstanding performance in sustainability.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2020.

Commitment to Corporate Governance

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintaining investors' trust in the Company. The Group's management also actively observes the latest corporate governance developments in the PRC, Hong Kong and abroad. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term shareholder value and to promote the development of the Group.

Corporate Governance Practices

The corporate governance practices are based on the principles and code provisions set out in the CG Code. In the opinion of the Board, the Company has complied with the provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Review Period, except for the deviation as disclosed in the section headed "The Board — Board composition — (i) Chairman and chief executive officer" of this report.

Directors' Securities Transactions

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code 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 set out in the Model Code and the Code of Conduct during the Review Period.

THE BOARD

Roles and Responsibilities

The Board, led by the chairman, Mr. WAN Long, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company.

The Board, which is accountable to the Shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company. It meets these obligations by ensuring the maintenance of high standards of governance in all aspects of the Company's business, setting the strategic direction for the Group and maintaining appropriate levels of review, challenge and guidance in its relationship with the Group's management. It is also the ultimate decision-making body for all matters considered material to the Group and is responsible for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate.

Board Composition

The Board members as at the date of this report are as follows:

Executive Directors:

Mr. WAN Long	*(Chairman, Chief Executive Officer and Chairman of the Nomination Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. WAN Hongjian	*(Deputy Chairman, Vice President and member of the Environmental, Social and Governance Committee and the Food Safety Committee)*
Mr. GUO Lijun	*(Executive Vice President, Chief Financial Officer, Chairman of the Environmental, Social and Governance Committee and member of the Risk Management Committee)*
Mr. Dennis Pat Rick ORGAN	*(President and Chief Executive Officer of Smithfield, and member of the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. MA Xiangjie	*(President of Shuanghui Development and member of the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee)*

Non-executive Director:

Mr. JIAO Shuge	*(Member of the Remuneration Committee)*

Independent non-executive Directors:

Mr. HUANG Ming	*(Chairman of the Remuneration Committee, and member of the Audit Committee and the Nomination Committee)*
Mr. LEE Conway Kong Wai	*(Chairman of the Audit Committee, and member of the Remuneration Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. LAU, Jin Tin Don	*(Member of the Audit Committee, the Nomination Committee and the Environmental, Social and Governance Committee)*

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

Save as disclosed in the section headed "Biographies of Directors and Senior Management", the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) Chairman and Chief Executive Officer

The roles of the chairman and the chief executive officer of the Company are served by Mr. WAN Long and have not been segregated as required under code A.2.1 of the CG Code. The Company considers that having Mr. WAN Long 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 Long'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 Long continues to act as both the Chairman and Chief Executive Officer of the Company.

(ii) Non-executive Director and independent non-executive Directors

During the Review Period, the Board had three independent non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the three independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

Appointment, re-election and removal of Directors

The Company uses a formal and transparent procedure for the appointment of new Directors. Recommendations for the appointment of new Directors are received by the Board from the Nomination Committee. The Board then deliberates over such recommendations prior to approval.

The non-executive Director and independent non-executive Directors have been appointed for a specific term of three years, subject to re-nomination and re-election as required by the Articles of Association or pursuant to the Listing Rules at the general meetings of the Company.

Meetings

The Board meets on a regular basis, and on an ad hoc basis, as required by business needs. During the Review Period, the Board convened five (5) meetings to approve interim and annual results announcements and financial reports, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with all independent non-executive Directors and non-executive Director, without presence of the other executive Directors.

The attendance of each individual Director at the Board meetings, Board Committees meetings, annual general meeting and extraordinary general meeting during the Review Period is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Environmental, Social and Governance Committee Meeting	Food Safety Committee Meeting	Risk Management Committee Meeting	Annual General Meeting	Extraordinary General Meeting
	Number of meetings attend/held								
WAN Long	5/5	N/A	N/A	1/1	N/A	2/2	1/1	1/1	N/A
WAN Hongjian	5/5	N/A	N/A	N/A	2/2	2/2	N/A	1/1	N/A
GUO Lijun	5/5	N/A	N/A	N/A	2/2	N/A	1/1	1/1	N/A
SULLIVAN Kenneth Marc (retired with effect from January 3, 2021)	5/5	N/A	N/A	N/A	2/2	2/2	1/1	0/1	N/A
Dennis Pat Rick ORGAN (appointed with effect from January 4, 2021)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MA Xiangjie	5/5	N/A	N/A	N/A	1/2	1/2	1/1	0/1	N/A
JIAO Shuge	5/5	N/A	1/1	N/A	N/A	N/A	N/A	0/1	N/A
HUANG Ming	5/5	3/3	1/1	1/1	N/A	N/A	N/A	0/1	N/A
LEE Conway Kong Wai	5/5	3/3	1/1	N/A	N/A	2/2	1/1	0/1	N/A
LAU, Jin Tin Don	5/5	3/3	N/A	1/1	2/2	N/A	N/A	0/1	N/A

Training for Directors

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives.

All newly appointed Directors have received the induction programme and briefing on director's duties and obligations on corporate governance and regulating requirements prepared and delivered by our external legal advisor immediately prior to or on their respective date of appointment.

The Company arranges and provides continuous professional development ("**CPD**") training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

During the Review Period, the Directors participated in the following trainings:

Name of Director	CPD Training Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates
Executive Director and Chief Executive Officer	
Mr. WAN Long	√
Executive Directors	
Mr. WAN Hongjian	√
Mr. GUO Lijun	√
Mr. SULLIVAN Kenneth Marc (retired with effect from January 3, 2021)	√
Mr. Dennis Pat Rick ORGAN (appointed with effect from January 4, 2021)	N/A
Mr. MA Xiangjie	√
Non-executive Director	
Mr. JIAO Shuge	√
Independent non-executive Directors	
Mr. HUANG Ming	√
Mr. LEE Conway Kong Wai	√
Mr. LAU, Jin Tin Don	√

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the Review Period, no claim had been made against the Directors and the officers of the Company.

Board Committees

The Company's corporate governance is implemented through a structured hierarchy, which includes the Board of Directors and six committees of the Board, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee. The terms of reference of the Board Committees are available on the websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Further details of the roles and functions of the Board Committees are set out below.

Audit Committee

Throughout the Review Period, the Audit Committee comprised three independent non-executive Directors, namely Mr. LEE Conway Kong Wai, Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. LEE Conway Kong Wai, who has professional qualifications in accountancy, is the chairman of the Audit Committee. The Audit Committee held three (3) meetings during the Review Period. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The primary duties performed by the Audit Committee during the Review Period were the oversight of the Group's financial reporting system and internal control procedures, monitoring the integrity of the preparation of the Company's financial information including quarterly, interim and annual results of the Group, reviewing the Group's financial and accounting policies and practices and monitoring the effectiveness of the internal audit function. The Audit Committee also provided oversight for and management of the relationship with the Group's external auditor, including reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

Remuneration Committee

Throughout the Review Period, the Remuneration Committee comprised three members, being two independent non-executive Directors, namely Mr. HUANG Ming (the chairman of the committee) and Mr. LEE Conway Kong Wai, and one non-executive Director, namely Mr. JIAO Shuge. The Remuneration Committee held one (1) meeting(s) during the Review Period to review the remuneration packages and overall benefits for the Directors and senior management of the Company.

The primary duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. During the Review Period, the Remuneration Committee consulted the Chairman and/or chief executive about their remuneration proposals for the executive Directors and assessed the performance of the executive Directors, and is provided with sufficient resources enabling it to discharge its duties. The Remuneration Committee would access to independent professional advice if necessary.

The remuneration of Directors is also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Details of emoluments of Directors for the Review Period are set out in Note 10 to the consolidated financial statements. The emoluments paid or payable to senior management during the Review Period were within the following bands:

	Number of Senior Management
HK$3,500,001 to HK$4,000,000	2
HK$5,000,001 to HK$5,500,000	1
HK$6,000,001 to HK$6,500,000	1
HK$31,500,001 to HK$32,000,000	1

Nomination Committee

Throughout the Review Period, the Nomination Committee comprised three members, being an executive Director, namely Mr. WAN Long, and two independent non-executive Directors, namely Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. WAN Long is the chairman of the committee. The Nomination Committee held one (1) meeting(s) during the Review Period to review the Board's composition and the independence of the three independent non-executive Directors.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, size, composition and diversity of the Board, to oversee the identification and assessment of potential board candidates, to provide oversight and direction in respect of the succession planning for directors and to determine the composition of Board Committees. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. With a view to achieving a sustainable and balanced development, the Company has followed the board diversity policy adopted by the Board on July 17, 2014 which is available on the Company's website. Under the board diversity policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishment and professional knowledge and industry experience which may be relevant to the Group; (iii) commitment in respect of available time, interest and attention to the businesses of the Group; (iv) perspectives, skills and experience that the individual can bring to the Board; (v) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long term objectives of the Group; and (vii) in case of a candidate for independent non-executive Director, the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules. These processes meet or exceed the Stock Exchange's requirements to ensure that every Director has the requisite character, experience and integrity and is able to demonstrate a standard of competence, commensurate with his position as a director of a listed issuer, and that where nomination of independent non-executive Directors is under consideration, the requirements of Rule 3.13 of the Listing Rules are satisfied.

Environmental, Social and Governance Committee

Throughout the Review Period, the Environmental, Social and Governance Committee comprised five members, being four executive Directors, namely Mr. GUO Lijun (the chairman of the committee), Mr. WAN Hongjian, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie (who was appointed as a member of the Environment, Social and Governance Committee with effect from June 16, 2020) and one independent non-executive Director, namely Mr. LAU, Jin Tin Don. The Environmental, Social and Governance Committee held two (2) meetings during the Review Period to review the environmental, social and governance matters which are relevant and material to the operations of the Group. On January 3, 2021, Mr. SULLIVAN Kenneth Marc retired as an executive Director and ceased to be a member of the Environmental, Social and Governance Committee, Mr. Dennis Pat Rick ORGAN was appointed as an executive Director and also a member of the Environmental, Social and Governance Committee with effect from January 4, 2021.

The primary duties of the Environmental, Social and Governance Committee include, but are not limited to, the following:

(i) identifying the environmental, social and governance matters that are relevant and material to the operations of our Group and/or that affect shareholders and other key stakeholders (the "**Key ESG Matters**"), which shall include workplace quality, environmental protection, operating practices, community involvement and animal welfare;

(ii) reviewing and making recommendations to the Board on the effectiveness of the Key ESG Matters;

(iii) monitoring the standards set and performance achieved on the Key ESG Matters by our Group; and

(iv) identifying and engaging stakeholders to understand and responding to their views by appropriate means.

The Group has a heritage of commitment to the local communities in which it conducts business and is committed to the long-term sustainability of the business. The Environmental, Social and Governance Committee will continue to formulate guidelines and initiatives that can be implemented on a Group-wide level.

Food Safety Committee

Throughout the Review Period, the Food Safety Committee comprised five members, being four executive Directors, namely Mr. WAN Long (the chairman of the committee), Mr. WAN Hongjian, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie (who was appointed as a member of the Food Safety Committee with effect from June 16, 2020) and one independent non-executive Director, namely Mr. LEE Conway Kong Wai. The Food Safety Committee held two (2) meetings to consider the effective control over food quality and safety matters during the Review Period. On January 3, 2021, Mr. SULLIVAN Kenneth Marc retired as an executive Director and ceased to be a member of the Food Safety Committee, Mr. Dennis Pat Rick ORGAN was appointed as an executive Director and also a member of the Food Safety Committee with effect from January 4, 2021.

The primary duties of the Food Safety Committee include, but are not limited to, the following:

(i) making recommendations to the Board on our policies, practices and performance in relation to food quality and safety to comply with the relevant laws and regulations; and

(ii) assessing, reviewing, monitoring and making recommendations to the Board on the food safety internal control standards and our Group's products traceability capabilities.

Risk Management Committee

Throughout the Review Period, the Risk Management Committee comprised five members, being four executive Directors, namely Mr. WAN Long (the chairman of the committee), Mr. GUO Lijun, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie, and one independent non-executive Director, namely Mr. LEE Conway Kong Wai. The Risk Management Committee held one (1) meeting(s) during the Review Period. On January 3, 2021, Mr. SULLIVAN Kenneth Marc retired as an executive Director and ceased to be a member of the Risk Management Committee, Mr. Dennis Pat Rick ORGAN was appointed as an executive Director and also a member of the Risk Management Committee with effect from January 4, 2021.

The primary duties of the Risk Management Committee include, but are not limited to, the following:

(i) establishing and overseeing the risk management system, through which the Risk Management Committee considers and formulates risk management framework and to provide guidelines to the management on risk management by setting up procedures to identify, assess and manage material risks faced by our Group, including but not limited to strategic, financial, operational, legal and regulatory risks;

(ii) reviewing and assessing regularly the adequacy and effectiveness of our Group's risk management framework, internal control systems relating to risk management and risk management policies and procedures in order to identify, assess and manage risks, as well as to oversee and ensure their effective operation, implementation and maintenance;

(iii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

(iv) reporting any significant risk management issues to the Board and make recommendations and solutions on improvement of the Company's compliance and risk management.

Company Secretary

The company secretary of the Company (the "**Company Secretary**") is accountable to the Board for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

The Company Secretary is also directly responsible for the Groups' compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to Shareholders and the market of information relating to the Group.

During the Review Period, the Company Secretary has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors acknowledged their responsibility to prepare the accounts and to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended December 31, 2020 is set out in the independent auditor's report on pages 59 to 62 of this report.

Risk Management and Internal Control

The Board has the ultimate responsibility for oversight of the risk management and internal control systems of the Group. The Board has delegated oversight to the Risk Management Committee and Audit Committee to oversee the Group's risk management and internal control systems respectively on an ongoing basis, and conduct reviews of the effectiveness of the Group's risk management and internal control systems, as well as to resolve material internal control defects. The aforementioned systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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. The Group's risk management department reviewed the effectiveness of risk management process and risk management report submitted by management. Key risks and mitigation measures were reported to the Risk Management Committee, in which it oversaw the development and implementation of the Group's risk management system.

The internal controls of the Group are designed to assist the Group in protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls and risk management functions. The Group's risk management department carried out risk-based audits and reported key findings and management action plans to the Audit Committee, in which it would review the Group's risk management and internal control system and reported twice a year to the Board. Such review had been conducted during the Review Period. In addition, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls during 2020. An opinion on the effectiveness of the enterprise risk management (the "**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group is effectively in place.

The Board considered the Group's risk management and internal control systems are effective and adequate.

Independent Auditor

The Group's independent auditor for the Review Period is Ernst & Young. It was responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

Auditors' Remuneration

During the Review Period, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

Services rendered	Fees paid/payable (US$ million)
Audit services	4
Non-audit services (Note)	1

Note: Non-audit services mainly represent taxation and other advisory services.

Shareholders' Rights and Communication

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on every substantial matter, including the election of individual Directors, for Shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting and extraordinary general meetings as important events and Directors, chairman of each Board Committee, senior management and external auditors make an effort to attend the annual general meeting and extraordinary general meetings of the Company to address Shareholders' queries. All resolutions proposed at Shareholders' meetings will be voted on by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com) on the same day of the relevant general meetings.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company pursuant to Article 12.3 of the Articles of Association. Such requisition must specify the objects of the meeting and signed by requisitionists and deposited at the principal office of the Company or the Company's registered office in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal office of the Company in Hong Kong for the attention of the Company Secretary.

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

Investors Relations

The Company has maintained a continuing dialogue with the Company's Shareholders and investors through various channels, including, among others, the Company's interim and annual reports, notices, announcements, corporate governance practice and the Company's website at www.wh-group.com. The Company also holds press conferences from time to time at which the executive Directors and senior management of the Group are available to answer questions regarding the Group's business and performance.

Constitutional Documents

There was no change to the Company's memorandum and Articles of Association during the Review Period. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended December 31, 2020.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The Group is the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are set out in the sections headed "Business Review" and "Financial Review" of this report.

Business Review

A business review of the Group is set out on pages 16 to 24 of this report.

Results

Results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 63 to 64 of this report.

Dividends

The Board has proposed to recommend the payment of a final dividend of HK$0.125 per Share (2019: HK$0.265 per Share) in cash to the Shareholders for the year ended December 31, 2020. Taking into account of the interim dividend of HK$0.05 per Share paid on October 15, 2020, total dividend for the year ended December 31, 2020 will be HK$0.175 per Share (2019: HK$0.315 per Share), representing a total payment of approximately HK$2,580 million, or an equivalent to US$333 million (2019: approximately HK$4,639 million, or an equivalent to US$597 million). The final dividend is subject to approval of the Shareholders at the forthcoming AGM to be held on Tuesday, June 1, 2021 (the "**2021 AGM**").

Upon the Shareholders' approval being obtained at the 2021 AGM, the final dividend will be payable on or around Wednesday, July 7, 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, June 7, 2021.

Book Closure of Register of Members

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, June 8, 2021 to Thursday, June 10, 2021, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of Shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the 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 Monday, June 7, 2021.

Dividend Policy

The declaration, payment and amount of dividends we pay are subject to the discretion of our Directors and depend on our financial condition, earnings and capital requirements as well as contractual and legal restrictions and our ability to receive dividend payments from our subsidiaries in addition to other factors. Subject to the factors described above, our Directors expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of no less than 30% of profits attributable to the equity holders of the parent (i.e., net profit). Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Shareholders by any means our Directors deem legal, fair and practical.

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the Review Period are set out on page 67 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2020 amounted to US$4,681 million.

Donations

The Group attaches great importance to the establishment of a friendly and harmonious relationship between the Group and the community and actively communicates with the community and gives back to it through donations and volunteer service. During the Review Period, charitable donations made by the Group amounted to US$41 million.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the Review Period and as at December 31, 2020 are set out in Note 36 to the consolidated financial statements.

Borrowings and Capitalisation of Interests

Details of borrowings are set out in Note 30 to the consolidated financial statements. Details of the Group's capitalised interest expenses and other borrowing costs during the Review Period are set out in Note 8 to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Review Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Review Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

Remuneration Policy and Retirement Benefits of the Group

For remuneration policy of the Group, please see the section headed "Human Resources" of the section headed "Financial Review".

The Group entities which operate in U.S. provide pension benefits for all their qualified employees, through defined benefit pension plans. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2020 by credentialed actuaries, Mercer (US), Inc., who meet the Qualification Standards of the American Academy of Actuaries. As of December 31, 2020, the fair value of plan assets was approximately 78.7% of our pension benefits obligations under such defined benefits plans. Given the foregoing, we have met or exceeded our funding requirements for our obligations under such defined benefits plans as required by the relevant U.S. regulations for the year ended December 31, 2020.

Please see Note 33 to the consolidated financial statements contained herein for further details relating to such defined benefits plans and the Group's other retirement benefits plans.

Basis of Determining Remuneration to Directors

Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the executive Directors, including the share option scheme, same as those offered to other employees of the Group.

Financial Review

The results highlights of the Group is set out on page 4 of this report, while a financial review of the Group is set out on pages 25 to 35 of this report.

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.

Directors

Certain information on the members of the Board as at the date of this report is set out on page 37 of this report.

In accordance with Article 16.18 of the Articles of Association, Mr. WAN Long, Mr. WAN Hongjian and Mr. MA Xiangjie shall retire by rotation and, being eligible, offer themselves for re-election at the 2021 AGM.

In accordance with Article 16.2 of the Articles of Association, Mr. Dennis Pat Rick ORGAN shall retire from their office and, being eligible, offer himself for re-election at the 2021 AGM.

Brief biographical details of the Directors and senior management are set out on pages 8 to 15 of this report.

Directors' Service Contracts

None of the Directors who is proposed for re-election at the 2021 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract of Significance

No transaction, arrangement or contract of significance in which any Director or any entity connected with the Director is or was materially interested, either directly or indirectly, subsisted during the Review Period or at the end of the financial year.

Controlling Shareholders' Interests in Contract of Significance

No contract of significance between any members of the Group and any of the controlling shareholders of the Company, or any of their subsidiaries, subsisted during the Review Period.

Directors' Rights to Purchase Shares or Debentures

Save for the share options granted pursuant to the Pre-IPO Share Option Scheme as set out below, at no time during the Review Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Disclosure of Interests

Directors

As at December 31, 2020, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in Shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Interest in a controlled corporation(1)	2,169,781,518(L)	14.72%
	Beneficiary of a trust(2)(3)	1,123,683,441(L)	7.62%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Trustee(4)	631,580,000(L)	4.28%
	Beneficiary of a trust(4)(5)	174,314,729(L)	1.18%
	Beneficial owner	100,000(L)	0.00%
Mr. Ma Xiangjie	Trustee(6)(7)	5,029,376,978(L)	34.11%
	Beneficiary of a trust(6)(7)	79,992,007(L)	0.54%
	Interest of spouse(8)	3,000(L)	0.00%

Notes:

(1) Mr. Wan Long owned Sure Pass as to 100%, which in turn owned 573,099,645 Shares, and indirectly owned High Zenith as to 100%, which in turn owned 350,877,333 Shares. Accordingly, Mr. Wan Long was deemed to be interested in the 573,099,645 Shares and 350,877,333 Shares held by Sure Pass and High Zenith, respectively. Mr. Wan Long owned Xing Tong Limited as to 100%. Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 24.77% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone.

(2) Mr. Wan Long was one of the participants of the Heroic Zone Share Plan, through which he held approximately 20.78% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 1,045,174,040 Shares which Heroic Zone was interested in.

(3) Mr. Wan Long was one of the participants of the Chang Yun Share Plan, through which he held approximately 12.43% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Wan Long was deemed to be interested in 78,509,401 Shares which Chang Yun was interested in.

(4) Mr. Guo Lijun was one of the participants of the Chang Yun Share Plan, through which he held approximately 14.12% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Guo Lijun was deemed to be interested in the 89,149,824 Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao were entrusted to act as the trustees of the Chang Yun Share Plan.

(5) Mr. Guo Lijun was one of the participants of the Heroic Zone Share Plan, through which he held approximately 1.69% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun was deemed to be interested in the 85,164,905 Shares which Heroic Zone was interested in.

(6) Pursuant to an entrustment agreement dated November 5, 2019, the employee share committee, on behalf of all participants of the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy. Mr. Ma Xiangjie was also one of the participants of the Heroic Zone Share Plan, through which he held approximately 0.34% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Ma Xiangjie was deemed to be interested in the 17,277,468 Shares which Heroic Zone was interested in.

(7) Mr. Ma Xiangjie was one of the participants of the Chang Yun Share Plan, through which he held approximately 9.93% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Ma Xiangjie was deemed to be interested in 62,714,539 Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao, were entrusted to act as the trustees of the Chang Yun Share Plan.

(8) Ms. Shi Hui Ying is the spouse of Mr. Ma Xiangjie and was the beneficial owner of 3,000 Shares. Mr. Ma Xiangjie was deemed to be interested in such 3,000 Shares within the meaning of Part XV of the SFO.

(L) The letter (L) indicates long position.

(ii) Interests in underlying shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Underlying Shares subject to the Pre-IPO Share Options	Approximate Percentage of Shareholding(1)
Mr. Wan Long	Beneficial owner	146,198,889(L)	0.96%
Mr. Guo Lijun	Beneficial owner	40,000,000(L)	0.26%
Mr. Dennis Pat Rick Organ	Beneficial owner	1,000,000(L)	0.01%
Mr. Ma Xiangjie	Beneficial owner	9,922,417(L)	0.07%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue and assuming that all the Pre-IPO Share Options have been exercised in full.

(L) The letter (L) indicates long position.

(iii) Interests in associated corporations

Name of Director/ Chief Executive Officer	Name of Associated Corporation	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of Shareholding
Mr. Wan Long	Shuanghui Development	Beneficial owner	301,736(L)	0.01%
Mr. Ma Xiangjie	Shuanghui Development	Interest of spouse(1)	16,350(L)	0.00%

Notes:

(1) Ms. Shi Hui Ying is the spouse of Mr. Ma Xiangjie and was the beneficial owner of 16,350 shares of Shuanghui Development. Mr. Ma Xiangjie was deemed to be interested in such 16,350 shares of Shuanghui Development within the meaning of Part XV of the SFO.

(L) The letter (L) indicates long position.

Save as disclosed above, as at December 31, 2020, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at December 31, 2020, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interest in the Shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Rise Grand(1)	Interest in controlled corporation	5,029,376,978(L)	34.11%
Mr. Zhang Liwen(1)	Trustee	5,029,376,978(L)	34.11%
Mr. Liu Songtao(1)	Trustee	5,029,376,978(L)	34.11%
Heroic Zone(2)	Beneficial owner	3,473,820,000(L)	23.56%
	Interest in controlled corporation	1,555,556,978(L)	10.55%
Xing Tong Limited(3)	Beneficiary of a trust	1,245,804,540(L)	8.45%
Ms. Wang Meixiang(4)	Interest of spouse	3,441,163,848(L)	23.34%
Mondrian Investment Partners Limited	Investment manager	897,861,500(L)	6.09%

Notes:

(1) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,029,376,978 Shares which Heroic Zone was interested in. As of December 31, 2020, the beneficial interest of Rise Grand was owned by 218 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated November 5, 2019, the employee share committee (the "**ESC**"), on behalf of all HSP Participants, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy (the "**HSP Trustees**"). Under the Heroic Zone Share Plan, the ESC, on behalf of all HSP Participants, is entitled to instruct the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand, which in turn will instruct Heroic Zone, a wholly owned subsidiary of Rise Grand, as to how to exercise its rights, including the voting rights attached to the Shares it holds in the Company. The members of the ESC are selected by the general meeting of the HSP participants. The ESC has been composed of five members since its establishment. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Structure at Beginning of Track Record Period" of the Prospectus.

(2) Chang Yun, High Zenith and Sure Pass should exercise the voting rights attached to their Shares respectively held by them in accordance with the direction of Heroic Zone in its absolute discretion. Therefore, Heroic Zone was deemed to be interested in the 1,555,556,978 Shares in aggregate held by Chang Yun, High Zenith and Sure Pass. For further details of the voting rights of Chang Yun, High Zenith and Sure Pass, please see the sections headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Share issuance and Transfer to Chang Yun" and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith" of the Prospectus and the sections headed "Directors' Report — 2010 Share Award Plan" and "Directors' Report — 2013 Share Award Plan" of the 2019 annual report of the Company.

(3) Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 24.77% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong Limited was deemed to be interested in the 1,245,804,540 Shares which Heroic Zone was interested in.

(4) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 3,441,163,848 Shares which Mr. Wan Long was interested in.

(L) The letter (L) indicates long position.

Save as disclosed above, as at December 31, 2020, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on January 21, 2014 as amended on April 4, 2014.

The following table discloses details of the Company's outstanding share options held by the Directors, the connected persons and certain employees of the Company under the Pre-IPO Share Option Scheme and their movements during the Review Period:

Number of Pre-IPO Share Options

		Number of Pre-IPO Share Options				
Grantee	Date of Grant	As at January 1, 2020	Exercised	Cancelled	Lapsed	As at December 31, 2020
Directors						
WAN Long (萬隆)	July 10, 2014	146,198,889	—	—	—	146,198,889
GUO Lijun (郭麗軍)	July 10, 2014	40,000,000	—	—	—	40,000,000
SULLIVAN Kenneth Marc	July 10, 2014	12,000,000	—	—	—	12,000,000
MA Xiangjie (馬相傑)	July 10, 2014	9,922,417	—	—	—	9,922,417
Dennis Pat Rick ORGAN	July 10, 2014	1,000,000	—	—	—	1,000,000
Connected persons						
ZHANG Taixi (張太喜)	July 10, 2014	40,000,000	—	—	—	40,000,000
YOU Mu (游牧)	July 10, 2014	3,674,969	3,674,969	—	—	0
WAN Hongwei (萬宏偉)	July 10, 2014	2,500,000	—	—	—	2,500,000
LI Xianmu (李現木)	July 10, 2014	4,044,957	4,044,957	—	—	0
HE Jianmin (賀建民)	July 10, 2014	2,859,963	—	—	—	2,859,963
LIU Hongsheng (劉紅生)	July 10, 2014	3,409,963	1,000,000	—	—	2,409,963
YU Songtao (余松濤)	July 10, 2014	3,009,963	—	—	—	3,009,963
PAN Guanghui (潘廣輝)	July 10, 2014	2,425,963	—	—	—	2,425,963
ZHAO Sufang (趙塑方)	July 10, 2014	4,009,963	—	—	—	4,009,963
CAO Xiaojie (曹曉杰)	July 10, 2014	4,409,963	—	—	—	4,409,963
LI Jun (李駿)	July 10, 2014	2,356,469	—	—	—	2,356,469
ZHAO Guobao (趙國寶)	July 10, 2014	1,029,988	—	—	—	1,029,988
LI Yong (李永)	July 10, 2014	999,976	—	—	—	999,976
SONG Hongliang (宋紅亮)	July 10, 2014	1,939,976	1,939,976	—	—	0
CHAI Wenlei (柴文磊)	July 10, 2014	941,988	941,988	—	—	0
QIAO Haili (喬海莉)	July 10, 2014	9,922,417	—	—	—	9,922,417
WANG Yufen (王玉芬)	July 10, 2014	9,922,417	—	—	—	9,922,417
LIU Songtao (劉松濤)	July 10, 2014	5,879,951	—	—	—	5,879,951
COLE, Michael H.	July 10, 2014	2,000,000	—	—	—	2,000,000
HE Shenghua (賀聖華)	July 10, 2014	1,500,000	—	—	—	1,500,000
THAMODARAN Dhamu R.	July 10, 2014	7,000,000	—	—	—	7,000,000
CHAU Ho (周豪)	July 10, 2014	3,500,000	—	—	—	3,500,000

Grantee	Date of Grant	Number of Pre-IPO Share Options As at January 1, 2020	Exercised	Cancelled	Lapsed	As at December 31, 2020
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more						
POPE C. Larry	July 10, 2014	27,250,000	—	—	—	27,250,000
WEN Guoshan (溫國山)	July 10, 2014	1,764,451	1,764,451	—	—	0
LI Hongwei (李紅偉)	July 10, 2014	4,000	—	—	—	4,000
WANG Yonglin (王永林)	July 10, 2014	4,249,951	—	—	—	4,249,951
FU Zhiyong (付志勇)	July 10, 2014	5,879,951	—	—	—	5,879,951
GUO Xinwen (郭新聞)	July 10, 2014	4,889,951	—	—	—	4,889,951
Senior management and other employees (in aggregate)	July 10, 2014	92,406,773	11,098,243	0	708,138	80,600,392
Total		**462,905,269**	**24,464,584**	**0**	**708,138**	**437,732,547**

Notes:
Each grantee to whom a Pre-IPO Share Option has been granted shall be entitled to exercise his/her Pre-IPO Share Option in such manner as set out below:

(1) to subscribe up to ten (10)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her (round down to the nearest whole number), exercisable at any time during the period commencing on the first (1st) anniversary of the Listing Date;

(2) to subscribe up to twenty-five (25)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the second (2nd) anniversary of the Listing Date;

(3) to subscribe up to forty-five (45)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the third (3rd) anniversary of the Listing Date;

(4) to subscribe up to seventy (70)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the fourth (4th) anniversary of the Listing Date; and

(5) to subscribe such number of Shares subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded to the nearest whole number), exercisable at any time commencing on the fifth (5th) anniversary of the Listing Date.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, the jurisdiction in which the Company was incorporated, and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

Competing Interests

During the Review Period, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Corporate Governance Measures in Relation to Non-Competition Undertakings

Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company on July 18, 2014 (the "**Deed of Non-competition**"). Details of the Deed of Non-competition have been set out in the Prospectus. There has been no change to the terms of the Deed of Non-competition during the Review Period.

The Company has received confirmations on compliance with the undertakings under the Deed of Non-Competition from the Covenantors for the Review Period (the "**Confirmations**"). Upon receiving the Confirmations, the independent non-executive Directors have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors of the non-competition undertakings in the Deed of Non-competition.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Review Period.

Major Suppliers and Customers

The purchases and revenue attributable to the Group's five largest suppliers and five largest customers combined, respectively, was each less than 30% for the year ended December 31, 2020.

None of the Directors, their close associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the five largest customers or suppliers of the Group.

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board has adopted the CG Code as set out in Appendix 14 to the Listing Rules and the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing Date.

Sufficient Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Connected Transactions

During the Review Period, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules. The related party transactions disclosed under Note 42 to the consolidated financial statements do not constitute connected transactions of the Company.

Future Development

Please refer to page 24 and the section headed "Chairman's Statement" of this report for the prospects of the Company's business.

Auditors

The consolidated financial statements for the year ended December 31, 2020 have been audited by Ernst & Young.

On behalf of the Board
Wan Long
Chairman of the Board and Chief Executive Officer

Hong Kong, March 30, 2021

EY 安永

To the shareholders of WH Group Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of WH Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 182, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of WH Group Limited

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of live hogs included in biological assets	
The carrying value of the Group's live hogs included in biological assets amounted to US$1,028 million, representing 5.5% of the Group's total assets as at 31 December 2020. The carrying value of live hogs was measured at fair value less costs to sell, which was determined based on the price of hogs in the actively traded market, reduced by the breeding costs required to raise the hogs to be slaughtered, the estimated margins that would be required by a raiser, and costs to sell with reference to the latest budgets approved by the management. The Group engaged an independent qualified valuer to perform the live hog valuations. We identified the fair value measurement of live hogs as a key audit matter because of the significant degree of judgement involved in the valuations to determine the fair value less costs to sell of live hogs. Disclosures of determination of the fair value less costs to sell and the key assumptions involved are included in notes 4 and 17 to the consolidated financial statements.	Our procedures in relation to assessing the fair value measurement of live hogs included in biological assets included: • understanding how the management determined the fair value measurement of live hogs included in biological assets, including the involvement of the independent valuer; • evaluating the competence, capabilities, independence and objectivity of the independent valuer; • reviewing the valuation model prepared by the independent valuer in determining the fair value less costs to sell of live hogs; • comparing the market price of live hogs used as inputs for the valuations with available market data; and • evaluating the estimates of breeding costs required to raise the live hogs and estimated margins that would be required by a raiser and costs to sell against the historical performance and budgets approved by the management.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

To the shareholders of WH Group Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

To the shareholders of WH Group Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ms. CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

		2020			2019		
	Notes	Results before biological fair value adjustments US$'million	Biological fair value adjustments US$'million	Total US$'million	Results before biological fair value adjustments US$'million	Biological fair value adjustments US$'million	Total US$'million
Revenue	5	**25,589**	**—**	**25,589**	24,103	—	24,103
Cost of sales		**(21,096)**	**533**	**(20,563)**	(19,209)	338	(18,871)
Gross profit		**4,493**	**533**	**5,026**	4,894	338	5,232
Distribution and selling expenses		**(1,914)**	**—**	**(1,914)**	(2,059)	—	(2,059)
Administrative expenses		**(874)**	**—**	**(874)**	(811)	—	(811)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(511)**	**(511)**	—	(208)	(208)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(209)**	**(209)**	—	(22)	(22)
Other income	6	**74**	**—**	**74**	59	—	59
Other gains and (losses)	7	**(47)**	**—**	**(47)**	53	—	53
Other expenses		**(111)**	**—**	**(111)**	(63)	—	(63)
Finance costs	8	**(135)**	**—**	**(135)**	(144)	—	(144)
Share of profits of associates		**4**	**—**	**4**	4	—	4
Share of profits of joint ventures		**10**	**2**	**12**	13	(2)	11
PROFIT BEFORE TAX	9	**1,500**	**(185)**	**1,315**	1,946	106	2,052
Taxation	11	**(263)**	**40**	**(223)**	(336)	(21)	(357)
PROFIT FOR THE YEAR		**1,237**	**(145)**	**1,092**	1,610	85	1,695
Other comprehensive income (expense) for the year:	45						
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**(90)**			(143)
				(90)			(143)
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				**312**			(51)
— fair value change in cash flow hedge, net of tax				**31**			15
				343			(36)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended December 31, 2020

	Note	2020 Results before biological fair value adjustments US$'million	2020 Biological fair value adjustments US$'million	2020 Total US$'million	2019 Results before biological fair value adjustments US$'million	2019 Biological fair value adjustments US$'million	2019 Total US$'million
Other comprehensive income (expense) for the year, net of tax				**253**			(179)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**1,345**			1,516
Profit for the year attributable to							
— owners of the Company				**828**			1,465
— non-controlling interests				**264**			230
				1,092			1,695
Total comprehensive income for the year attributable to							
— owners of the Company				**1,016**			1,305
— non-controlling interests				**329**			211
				1,345			1,516
EARNINGS PER SHARE	13						
— Basic (US cents)				**5.62**			9.96
— Diluted (US cents)				**5.60**			9.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Notes	**2020 US$'million**	2019 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,531**	5,406
Right-of-use assets	16(a)	**684**	646
Biological assets	17	**135**	137
Goodwill	18	**2,008**	1,955
Intangible assets	19	**1,762**	1,712
Interests in associates	20	**47**	42
Interests in joint ventures	21	**307**	305
Other receivables	24	**57**	54
Financial assets at fair value through profit or loss	25	**10**	10
Pledged bank deposits	27	**11**	4
Deferred tax assets	31	**61**	66
Other non-current assets		**268**	238
Total non-current assets		**10,881**	10,575
CURRENT ASSETS			
Properties under development	15	**130**	102
Biological assets	17	**1,047**	1,107
Inventories	22	**2,641**	2,903
Trade and bills receivables	23	**915**	1,047
Prepayments, other receivables and other assets	24	**512**	508
Taxation recoverable		**57**	—
Financial assets at fair value through profit or loss	25	**882**	447
Pledged/restricted bank deposits	27	**51**	41
Cash and bank balances	27	**1,599**	552
Total current assets		**7,834**	6,707
CURRENT LIABILITIES			
Trade payables	28	**913**	1,074
Accrued expenses and other payables	29	**2,136**	1,686
Lease liabilities	16(b)	**103**	108
Taxation payable		**73**	96
Borrowings	30	**796**	905
Bank overdrafts	30	**46**	—
Total current liabilities		**4,067**	3,869
NET CURRENT ASSETS		**3,767**	2,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,648**	13,413

Consolidated Statement of Financial Position (continued)

December 31, 2020

	Notes	2020 US$'million	2019 US$'million
NON-CURRENT LIABILITIES			
Other payables	29	291	189
Lease liabilities	16(b)	373	357
Borrowings	30	1,840	2,187
Deferred tax liabilities	31	553	660
Deferred revenue	32	44	10
Pension liability and other retirement benefits	33	562	558
Total non-current liabilities		3,663	3,961
NET ASSETS		10,985	9,452
CAPITAL AND RESERVES			
Share capital	36	1	1
Reserves		10,004	8,683
Equity attributable to owners of the Company		10,005	8,684
Non-controlling interests		980	768
TOTAL EQUITY		10,985	9,452

The consolidated financial statements on pages 63 to 182 were approved and authorised for issue by the Board of Directors on March 30, 2021 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million	Other reserve US$'million (Note 45)	Statutory surplus reserve US$'million (Note (b))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At January 1, 2019	1	2,934	(74)	(190)	924	268	3,873	7,736	672	8,408
Profit for the year	—	—	—	—	—	—	1,465	1,465	230	1,695
Exchange differences arising on translation of foreign operations	—	—	—	(32)	—	—	—	(32)	(19)	(51)
Remeasurement on defined benefit pension plans	—	—	—	—	(143)	—	—	(143)	—	(143)
Fair value change in cash flow hedge	—	—	—	—	15	—	—	15	—	15
Total comprehensive income (expense) for the year	—	—	—	(32)	(128)	—	1,465	1,305	211	1,516
Acquisition of additional interests in subsidiaries	—	—	(20)	—	—	—	—	(20)	(30)	(50)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	3	3
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(89)	(89)
Dividend (Note 12)	—	—	—	—	—	—	(375)	(375)	—	(375)
Share-based payments	—	—	—	—	7	—	—	7	1	8
Termination of share award plan (Note 38)	—	—	—	—	(973)	—	973	—	—	—
Issue of shares upon exercise of share options	—*	48	—	—	(17)	—	—	31	—	31
	—*	48	(20)	—	(983)	—	598	(357)	(115)	(472)
At December 31, 2019	1	2,982	(94)	(222)	(187)	268	5,936	8,684	768	9,452
At January 1, 2020	**1**	**2,982**	**(94)**	**(222)**	**(187)**	**268**	**5,936**	**8,684**	**768**	**9,452**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**828**	**828**	**264**	**1,092**
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**247**	**—**	**—**	**—**	**247**	**65**	**312**
Remeasurement on defined benefit pension plans	**—**	**—**	**—**	**—**	**(90)**	**—**	**—**	**(90)**	**—**	**(90)**
Fair value change in cash flow hedge	**—**	**—**	**—**	**—**	**31**	**—**	**—**	**31**	**—**	**31**
Total comprehensive income (expense) for the year	**—**	**—**	**—**	**247**	**(59)**	**—**	**828**	**1,016**	**329**	**1,345**
Acquisition of additional interests in subsidiaries	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**(1)**	**(2)**	**(3)**
Deemed disposal of subsidiaries	**—**	**—**	**886**	**—**	**—**	**—**	**—**	**886**	**123**	**1,009**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(238)**	**(238)**
Dividend (Note 12)	**—**	**—**	**—**	**—**	**—**	**—**	**(599)**	**(599)**	**—**	**(599)**
Issue of shares upon exercise of share options	**—***	**29**	**—**	**—**	**(10)**	**—**	**—**	**19**	**—**	**19**
Lapse of share options	**—**	**—**	**—**	**—**	**(—*)**	**—**	**—***	**—**	**—**	**—**
Transfer	**—**	**—**	**—**	**—**	**7**	**1**	**(8)**	**—**	**—**	**—**
	—*	**29**	**885**	**—**	**(3)**	**1**	**(607)**	**305**	**(117)**	**188**
At December 31, 2020	**1**	**3,011**	**791**	**25**	**(249)**	**269**	**6,157**	**10,005**	**980**	**10,985**

* Less than US$1 million.

Notes:

a. Capital reserve

Capital reserve represents the difference between the amounts by which the non-controlling interests are adjusted for the change in the Group's ownership interests in existing subsidiaries and the fair value of the consideration paid or received.

b. Statutory surplus reserve

Pursuant to the relevant regulations in Mainland China and the articles of association of the Group's subsidiaries registered in Mainland China, each of them is required to transfer 10% of its profit, as determined under the China accounting regulations, to the statutory surplus reserve until the reserve aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve shall only be used to make up previous year's losses or to increase the relevant company's capital. Upon approval by a resolution of shareholders' general meeting, each of the relevant companies may convert its statutory surplus reserve into capital, provided the balance of the reserve after such issue is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020 US$'million	2019 US$'million
OPERATING ACTIVITIES		
Profit before tax	**1,315**	2,052
Adjustments for:		
Interest income	**(17)**	(14)
Finance costs	**135**	144
Share of profits of associates	**(4)**	(4)
Share of profits of joint ventures	**(12)**	(11)
Depreciation of property, plant and equipment	**495**	442
Depreciation of right-of-use assets	**139**	130
Loss (gain) on disposal of property, plant and equipment	**7**	(1)
Amortisation of intangible assets	**8**	9
Amortisation of other non-current assets	**2**	—
Fair value gain on financial assets at fair value through profit or loss	**(29)**	(24)
Write-down of inventories	**240**	53
Loss arising from changes in fair value less costs to sell of biological assets	**209**	22
Impairment loss on property, plant and equipment	**25**	18
Impairment loss on intangible assets	**2**	8
Impairment loss on right-of-use assets	**2**	5
Impairment losses (reversal of impairment losses) on trade receivables	**13**	(1)
Share-based payments	**—**	8
Gain on contribution of assets to a joint venture	**—**	(42)
Gain on disposal of an associate	**—**	(15)
Gain on insurance recovery	**(7)**	(10)
	2,523	2,769
Increase in biological assets	**(106)**	(177)
Decrease (increase) in inventories	**99**	(941)
Decrease (increase) in trade, bills and other receivables	**136**	(3)
Increase in properties under development	**(19)**	(72)
Increase in trade and other payables	**272**	263
CASH GENERATED FROM OPERATIONS	**2,905**	1,839
Taxation paid	**(418)**	(233)
Interest paid	**(130)**	(143)
Net cash flows from operating activities	**2,357**	1,463

	2020 US$'million	2019 US$'million
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(551)**	(680)
Additions of right-of-use assets	**(21)**	(23)
Proceeds from disposal of financial assets at fair value through profit or loss	**1,695**	810
Purchase of financial assets at fair value through profit or loss	**(2,049)**	(920)
Placement of pledged/restricted bank deposits	**(71)**	(38)
Withdrawal of pledged/restricted bank deposits	**58**	49
Proceeds from disposal of property, plant and equipment	**12**	113
Interest received	**10**	6
Dividends received from associates	**2**	—*
Net cash outflow on acquisition of subsidiaries	**(71)**	(115)
Settlement of outstanding consideration for acquisition of subsidiaries	**(18)**	—
Acquisition of associates	**(1)**	—
Acquisition of equity interests in joint ventures	**—**	(25)
Proceeds from disposal of an associate	**—**	38
Proceeds from disposal of equity interests in subsidiaries	**13**	—
Receipt of repayment of loans to a joint venture	**18**	—
Settlement of contingent consideration in respect of acquisition of a subsidiary	**—**	(2)
Insurance claims on property, plant and equipment	**8**	7
Purchase of other non-current assets	**(3)**	(33)
Proceeds from sales and leaseback of assets	**8**	47
Construction of assets to be sold	**(2)**	(30)
Net cash flows used in investing activities	**(963)**	(796)
FINANCING ACTIVITIES		
Proceeds from borrowings, net of transaction costs	**3,279**	2,457
Repayment of borrowings	**(3,793)**	(2,454)
Dividend paid to non-controlling interests	**(246)**	(89)
Dividend paid	**(599)**	(375)
Net cash outflow on acquisition of additional interests in subsidiaries	**(3)**	(50)
Proceeds from issue of shares	**19**	31
Proceeds from issue of shares of a subsidiary	**996**	—
Capital contributed by non-controlling interests	**—**	3
Lease payments	**(132)**	(116)
Net cash flows used in financing activities	**(479)**	(593)

* Less than US$1 million.

Consolidated Statement of Cash Flows (continued)

For the year ended December 31, 2020

	2020 **US$'million**	2019 US$'million
Net increase in cash and cash equivalents	**915**	74
Effect of foreign exchange rate changes	**86**	(6)
Cash and cash equivalents at beginning of year	**552**	484
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,553**	552
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,599**	552
Bank overdrafts	**(46)**	—
	1,553	552

1. CORPORATE AND GROUP INFORMATION

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. 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 and the address of its principal place of business are disclosed in the section headed “Corporate Information” in the annual report.

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended December 31, 2020 comprise the Company and its entities (including structured entities, controlled by the Group) (collectively referred to as the “Group”) and the Group’s interests in associates and interests in joint ventures. The Group is primarily involved in the production and sales of packaged meats and pork. The principal activities of its principal subsidiaries are set out in note 46 to the financial statements.

The functional currency of the Company is the United States Dollar (“US$”).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets, financial assets at fair value through profit or loss, certain non-current assets and derivative financial assets and liabilities which have been measured at fair value. These financial statements are presented in US$, and all values are rounded to the nearest million (“US$’million”) except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its entities (including structured entities, controlled by the Group) during the year ended December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect its returns.

2.2 BASIS OF CONSOLIDATION (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement(s) with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date that the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting issued on March 29, 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting issued on March 29, 2018* and the revised IFRSs are described below:

Conceptual Framework for Financial Reporting issued on March 29, 2018

Conceptual Framework for Financial Reporting issued on March 29, 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to IFRS 3 *Definition of a Business*

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendment to IFRS 16 *Covid-19-Related Rent Concessions*

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendments to IAS 1 and IAS 8 *Definition of Material*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Disclosure of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after January 1, 2023
4 No mandatory effective date yet determined but available for early adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

Further information about those IFRSs that are expected to have an impact on the Group upon adoption is described below. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting issued on March 29, 2018* without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from January 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in US$ and foreign currencies based on various interbank offered rates as at December 31, 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 17 *Insurance Contracts*

In June 2020, the IASB issued amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB amended IFRS 4 to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRS Standards 2018–2020

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

- IAS 41 *Agriculture*: removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs), that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of associates or joint ventures used for equity method accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. In other cases, the Group measures and recognises any retained investment at its fair value. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and joint ventures (continued)

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Depending on the terms of the contract and the laws that apply to the contract, the control of the goods or services may be transferred over time or at a point in time.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Revenue from the sale of meat and related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the meat and related products.

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts for the sales of meat and related products provide customers with a right of return and rebates which give rise to variable consideration subject to constraint.

Service income is recognised over time when services are rendered because the customer simultaneously receives and consumes the benefit provided by the Group.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, properties under development, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	more than 1 year to 49 years
Buildings	more than 1 year to 23 years
Motor vehicles	more than 1 year to 9 years
Plant, machinery and equipment	more than 1 year to 14 years
Contract farms	more than 1 year to 14 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relates to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development".

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, plant, machinery and equipment and motor vehicles, (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is recognised in "Other income" in profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction, as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on the following basis:

Buildings	10 to 40 years
Motor vehicles	3 to 10 years
Plant, machinery and equipment	5 to 20 years

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales of proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Biological assets

Biological assets represent live hogs and poultry, which fall into five categories: suckling hogs, nursery hogs, finisher hogs, broilers and breeding stock (hogs and poultry). They are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce (i.e. carcass) harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories upon initial recognition. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete and its ability and intention to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Cost is calculated using the weighted-average method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group's financial assets at amortised cost includes trade, bills and other receivables, pledged/restricted bank deposits and cash and bank balances are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at FVPL

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative and unquoted equity instruments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including borrowings, bank overdrafts, and trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense during the year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of a hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is recognised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in other reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ''Other gains and (losses)" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment arrangements

Awarded shares/share options granted to employees

For grants of shares/share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares/share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve). For grants of shares/share options that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised, the amount previously recognised in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in profit or loss because of income or expense that is taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences that can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current or deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the foreign currencies denominated assets and liabilities of the Group are translated into the presentation currency of the Group (US$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve (attributed to non-controlling interest as appropriate).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Government grants

Government grants are recognised where there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefit expense. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plans.

The employees of the Group in China and Hong Kong are members of state-managed retirement benefit schemes and members of the Mandatory Provident Fund Scheme ("MPF") respectively, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes and MPF are recognised as an expense when employees have rendered services entitling them to the contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurement of live hogs included in biological assets

The Group engaged an independent qualified valuer to perform the live hog valuations at the end of each reporting period, the fair values less costs to sell are determined based on the price of hogs in the actively traded market, reduced by the breeding costs required to raise the hogs to be slaughtered and the margins that would be required by a raiser and less costs to sell, with reference to the latest budgets approved by management. This determination involved the use of significant judgements and estimates. If the actual results differ to the original estimates made by management, such differences from the original estimates will impact the fair value change recognised in profit or loss. The carrying amount of live hogs was US$1,028 million as at December 31, 2020 (2019: US$1,101 million) (see note 17).

Goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill was US$2,008 million as at December 31, 2020 (2019: US$1,955 million). Details of the recoverable amount calculation are disclosed in note 18.

Intangible assets

In accounting for intangible assets, the management of the Group considers the potential impairment based on the recoverable amount. Intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable; intangible assets with indefinite useful lives are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology and operating losses associated with the intangible assets.

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the CGUs to which intangible assets have been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the higher of the value-in-use and fair value less cost of disposal. The value-in-use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Intangible assets (continued)

The carrying amount of intangible assets was US$1,762 million as at December 31, 2020 (2019: US$1,712 million) (see note 19).

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of production and selling expenses.

The management of the Group periodically reviews inventories for slow-moving inventories, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories was US$2,641 million as at December 31, 2020 (2019: US$2,903 million) (see note 22).

Valuation of the obligation in respect of defined benefit plans

In determining the obligation in respect of defined benefit plans, the Group has engaged an actuarial expert to perform the actuarial valuation of plan assets and the present value of the defined benefit obligations, and the key assumptions used including discount rates, expected salary increases and mortality rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds and government bonds yields of appropriate duration and currency at the end of the reporting period. The expected returns on plan assets are determined on the historical returns and asset allocations by considering the future market and economic conditions. The expected rate of salary increase is referenced by the salary scale projected by management and the mortality rates are referenced by demographic market data.

During the year ended December 31, 2020, remeasurement losses after tax effect amounting to US$90 million were recognised directly in equity in the period in which they occurred (2019: US$143 million). The Group's obligation in respect of net pension liability as at December 31, 2020 amounted to US$575 million (2019: US$566 million) (see note 33).

5. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2020 **US$'million**	2019 US$'million
Packaged meats	**12,167**	12,331
Pork	**12,296**	11,015
Others	**1,126**	757
	25,589	24,103

Over 99% (2019: over 99%) of the Group's revenue was recognised at a point in time.

5. REVENUE AND SEGMENT INFORMATION (continued)

Set out below is the amount of revenue recognised from:

	2020 US$'million	2019 US$'million
Amounts included in contract liabilities at the beginning of the year	305	148

The remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2020 and December 31, 2019 regarding the sale of meat and related products, sale of properties and service income are expected to be recognised as revenue within one year.

Segment information

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, who are also the chief operating decision-makers, that are used to make strategic decisions. During the year, the Group realigned its reportable operating segments to be consistent with the Group's strategic initiatives and its vertically integrated operations. Accordingly, the Group's financial results for the year ended December 31, 2020 are reported in new reportable segments, which are also the operating segments and are classified based on their locations including China, U.S. and Europe and the nature of operations as (i) packaged meats, (ii) pork, and (iii) others. The Group's financial results for the year ended December 31, 2019 are also regrouped to conform with the new segment presentation.

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) Pork — represents slaughtering, wholesale and retail sales of fresh and frozen pork and hog farming.

(iii) Others — represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, manufacturing of flavouring ingredients and natural casings, manufacture and sales of packaging materials, operating finance companies, property development companies, a chain of retail food stores, sales of biological pharmaceutical materials, trading 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 segments, 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 resource allocation and assessment of segment performance.

Inter-segment revenue was charged at cost plus margin basis.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	For the year ended December 31, 2020			
	Packaged meats US$'million	Pork US$'million	Others US$'million	Total US$'million
China				
Gross segment revenue	4,037	7,075	1,024	12,136
Less: Inter-segment revenue	—	(1,002)	(306)	(1,308)
Revenue	4,037	6,073	718	10,828
Reportable segment profit	836	271	33	1,140
U.S.				
Gross segment revenue	7,160	8,581	37	15,778
Less: Inter-segment revenue	(3)	(3,412)	—	(3,415)
Revenue	7,157	5,169	37	12,363
Reportable segment profit (loss)	571	(33)	(123)	415
Europe				
Gross segment revenue	1,019	1,534	452	3,005
Less: Inter-segment revenue	(46)	(480)	(81)	(607)
Revenue	973	1,054	371	2,398
Reportable segment profit (loss)	92	103	(21)	174
Total				
Gross segment revenue	12,216	17,190	1,513	30,919
Less: Inter-segment revenue	(49)	(4,894)	(387)	(5,330)
Revenue	12,167	12,296	1,126	25,589
Reportable segment profit (loss)	1,499	341	(111)	1,729
Net unallocated expenses				(108)
Biological fair value adjustments				(185)
Finance costs				(135)
Share of profits of associates				4
Share of profits of joint ventures				10
Profit before tax				1,315

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	For the year ended December 31, 2019			
	Packaged meats US$'million	Pork US$'million	Others US$'million	Total US$'million
China				
Gross segment revenue	3,615	5,673	756	10,044
Less: Inter-segment revenue	—	(946)	(342)	(1,288)
Revenue	3,615	4,727	414	8,756
Reportable segment profit	673	249	35	957
U.S.				
Gross segment revenue	7,817	8,375	1	16,193
Less: Inter-segment revenue	(3)	(3,031)	—	(3,034)
Revenue	7,814	5,344	1	13,159
Reportable segment profit (loss)	847	233	(148)	932
Europe				
Gross segment revenue	943	1,387	415	2,745
Less: Inter-segment revenue	(41)	(443)	(73)	(557)
Revenue	902	944	342	2,188
Reportable segment profit	54	88	—*	142
Total				
Gross segment revenue	12,375	15,435	1,172	28,982
Less: Inter-segment revenue	(44)	(4,420)	(415)	(4,879)
Revenue	12,331	11,015	757	24,103
Reportable segment profit (loss)	1,574	570	(113)	2,031
Net unallocated income				42
Biological fair value adjustments				106
Finance costs				(144)
Share of profits of associates				4
Share of profits of joint ventures				13
Profit before tax				2,052

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

* Less than US$1 million.

5. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

Information about the Group's non-current assets is presented below based on the geographical locations of operation.

	2020 US$'million	2019 US$'million
Non-current assets		
China	2,560	2,347
U.S.	6,102	6,110
Europe	1,929	1,843
	10,591	10,300

6. OTHER INCOME

	2020 US$'million	2019 US$'million
Government subsidy	26	28
Bank interest income	17	14
Income on sales of raw materials	10	10
Others	21	7
	74	59

7. OTHER GAINS AND (LOSSES)

	2020 US$'million	2019 US$'million
Gain on non-qualified retirement plan assets	17	14
Fair value gain on financial assets at fair value through profit or loss	29	24
(Loss) gain on disposal of property, plant and equipment	(7)	1
Gain on contribution of assets to a joint venture	—	42
Gain on disposal of an associate	—	15
Impairment loss recognised in respect of property, plant and equipment	(25)	(18)
Impairment loss recognised in respect of intangible assets	(2)	(8)
Impairment loss recognised in respect of right-of-use assets	(2)	(5)
Net exchange gains (losses)	5	(9)
Gain on insurance recovery	7	10
Others	(69)	(13)
	(47)	53

8. FINANCE COSTS

	2020 US$'million	2019 US$'million
Amortisation of transaction costs	(5)	(5)
Interest on senior unsecured notes	(76)	(76)
Interest on bank and other loans	(37)	(48)
Interest on lease liabilities	(20)	(18)
Less: Amounts capitalised in the cost of qualifying assets	3	3
	(135)	(144)

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2020 US$'million	2019 US$'million
Auditor's remuneration		
Audit services	4	4
Non-audit services	1	1
Depreciation of property, plant and equipment	495	442
Depreciation of right-of-use assets	139	130
Amortisation of intangible assets included in administrative expenses	8	9
Amortisation of other non-current assets	2	—
Write-down of inventories included in cost of sales	240	53
Impairment losses (reversal of impairment losses) on trade receivables, net, included in administrative expenses	13	(1)
Lease payments not included in the measurement of lease liabilities	114	87
Research and development expenses	148	134
Staff costs (excluding directors' remuneration)	3,983	3,628

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance, is as follows:

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Share-based payments US$'million	Termination benefits US$'million (Note (ii))	Retirement benefit scheme contributions US$'million	2020 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	—	1	—	—	—	—	1
Mr. Wan Hongjian	—	1	—	—	—	—*	1
Mr. Guo Lijun	—	1	—	—	—	—*	1
Mr. Sullivan Kenneth Marc	—	—*	—	—	2	—*	3
Mr. Ma Xiangjie	—	1	—*	—	—	—*	1
Sub-total	—	4	—*	—	2	—*	7

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

B) NON-EXECUTIVE DIRECTOR							
Mr. Jiao Shuge	—	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—	—

No emoluments was paid to the non-executive director shown above for his service as director of the Company or its subsidiaries.

C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Huang Ming	—*	—	—	—	—	—	—*
Mr. Lee Conway Kong Wai	—*	—	—	—	—	—	—*
Mr. Lau, Jin Tin Don	—*	—	—	—	—	—	—*
Sub-total	—*	—	—	—	—	—	—*

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

Total for the year ended December 31, 2020							7

* Less than US$1 million.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Share-based payments US$'million	Termination benefits US$'million (Note (ii))	Retirement benefit scheme contributions US$'million	2019 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	—	2	—*	2	—	—*	4
Mr. Wan Hongjian	—	—*	—*	—	—	—*	1
Mr. Guo Lijun	—	1	—*	1	—	—*	2
Mr. Sullivan Kenneth Marc	—	1	13	—*	—	—*	14
Mr. Ma Xiangjie	—	1	—*	—*	—	—*	1
Sub-total	—	5	14	3	—	—*	22

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

B) NON-EXECUTIVE DIRECTOR							
Mr. Jiao Shuge	—	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—	—

No emoluments were paid to the non-executive director shown above for his service as director of the Company or its subsidiaries.

C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Huang Ming	—*	—	—	—	—	—	—*
Mr. Lee Conway Kong Wai	—*	—	—	—	—	—	—*
Mr. Lau, Jin Tin Don	—*	—	—	—	—	—	—*
Sub-total	—*	—	—	—	—	—	—*

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

Total for the year ended December 31, 2019							22

Notes:

(i) Performance related incentive payments are recommended by the remuneration committee of the Company and are approved by the board of directors, with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) The termination benefits disclosed above includes the estimated money value in kind which was given to Mr. Sullivan Kenneth Marc as part of his severance package for the year ended December 31, 2020.

(iii) Mr. Sullivan Kenneth Marc waived salary of US$1 million for the year ended December 31, 2020. Apart from this, no director nor the Chief Executive waived any emoluments in respect of the years ended December 31, 2020 and December 31, 2019.

(iv) Mr. Wan Long is also the Chief Executive for the years ended December 31, 2020 and December 31, 2019.

* Less than US$1 million.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The five highest paid individuals for the year ended December 31, 2020 included four directors of the Company (2019: two), details of whose emoluments are set out above. The emoluments of the remaining one (2019: three) non-director highest paid individuals during the year were as follows:

	2020 US$'million	2019 US$'million
Employees		
Basic salaries and allowances	1	3
Performance bonus	3	15
Share-based payments	—	—*
Retirement benefit scheme contributions	—*	—*
	4	18

The emoluments of the remaining non-director highest paid individuals were within the following bands:

	Number of employees	
	2020	2019
HK$28,500,001 to HK$29,000,000	—	1
HK$31,500,001 to HK$32,000,000	1	—
HK$49,500,001 to HK$50,000,000	—	1
HK$63,500,001 to HK$64,000,000	—	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

* Less than US$1 million.

11. TAXATION

	2020 US$'million	2019 US$'million
China income tax	**(229)**	(176)
U.S. income tax	**(34)**	(56)
Other income taxes	**(28)**	(35)
Withholding tax	**(35)**	(13)
Deferred taxation	**103**	(77)
	(223)	(357)

Under the China law on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the China subsidiaries is 25% except for the following:

(i) According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in primary processing for agricultural products is exempted from EIT.

(ii) Pursuant to the related regulations in respect of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in projects of animal-husbandry and poultry feeding is entitled to exemption from EIT during both years.

(iii) Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2012] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, various China subsidiaries of the Company are entitled to a preferential income tax rate of 15% during both years.

(iv) According to the Implementation Regulation of the EIT Law and the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han [2009] No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Various China subsidiaries of the Company are classified as high-and-new-tech enterprises and are entitled to enjoy a preferential income tax rate at 15% during both years.

According to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividends distributed to foreign investors out of the profits generated by China subsidiaries are subject to EIT at 10% or a reduced tax rate if a tax treaty or arrangement applies. Under the relevant tax arrangement, the withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liabilities on the undistributed profits earned by the China subsidiaries have been accrued at the tax rate of 5% for the years ended December 31, 2020 and December 31, 2019.

The U.S. corporate tax rate is 21% for the years ended December 31, 2020 and December 31, 2019.

The Group's businesses in Europe are subject to the local corporate income taxes at a range of 16 to 19% for the years ended December 31, 2020 and December 31, 2019.

11. TAXATION (continued)

Other overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The taxation charge for both years is reconciled to the profit before tax as follows:

	2020		2019	
	US$'million	%	US$'million	%
Profit before tax	1,315		2,052	
Tax at the applicable rates (Note)	(311)	(23.7)	(494)	(24.1)
Tax effect of share of profits of associates and joint ventures	3	0.2	3	0.1
Tax effect of income that is not taxable in determining current year taxable profit	8	0.6	23	1.1
Tax effect of expenses that are not deductible in determining current year taxable profit	(26)	(2.0)	(21)	(1.0)
Tax effect of tax losses not recognised	(2)	(0.2)	(4)	(0.2)
Utilisation of tax losses previously not recognised	—*	—	—*	—
Effect of tax exemptions and preferential tax rates granted to China subsidiaries	60	4.6	82	4.0
Effect of tax exemptions and preferential tax rates granted to U.S. and Europe subsidiaries	25	1.9	39	1.9
Withholding tax on undistributed earnings of subsidiaries	(32)	(2.4)	(35)	(1.7)
Recognition of deferred tax arising from tax losses previously not recognised	3	0.2	9	0.4
Overprovision in prior years	25	1.9	6	0.3
Tax effect of tax losses recognised on intra-group transactions	24	1.8	35	1.7
Tax charge and effective tax rate for the year	(223)	(17.0)	(357)	(17.4)

Note: As the Group's revenue is generated in several jurisdictions, the directors of the Company consider that it is more meaningful to aggregate the separate reconciliations prepared using the domestic rate in each individual jurisdiction.

Details of recognised and unprovided deferred taxation are set out in note 31.

* Less than US$1 million.

12. DIVIDENDS

	2020 US$'million	2019 US$'million
Dividend recognised as distribution during the year:		
2019 final dividend of HK26.5 cents per share (2018: HK15 cents)	504	282
2020 interim dividend of HK5 cents per share (2019: HK5 cents)	95	93
	599	375

The final dividend of HK12.5 cents per share in respect of the year ended December 31, 2020 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

13. 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:

	2020 US$'million	2019 US$'million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	828	1,465
	million	million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	14,733.55	14,702.71
Effect of dilutive potential ordinary shares: share options	55.22	88.51
Weighted average number of ordinary shares for the purpose of diluted earnings per share	14,788.77	14,791.22

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
Cost:						
At January 1, 2019	540	2,494	139	3,761	562	7,496
Currency realignment	(3)	(24)	(1)	(31)	(35)	(94)
Additions	—	4	4	25	636	669
Acquisition of subsidiaries (Note 34)	3	49	—*	52	4	108
Transfer	17	281	6	517	(821)	—
Disposal	(15)	(83)	(9)	(55)	—*	(162)
At December 31, 2019 and January 1, 2020	542	2,721	139	4,269	346	8,017
Currency realignment	5	87	4	129	5	230
Additions	1	11	9	20	479	520
Acquisition of subsidiaries (Note 34)	—	—	—	3	—	3
Transfer	4	180	20	392	(596)	—
Disposal	—	(7)	(31)	(67)	(1)	(106)
At December 31, 2020	552	2,992	141	4,746	233	8,664

* Less than US$1 million.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
Depreciation and impairment:						
At January 1, 2019	—	620	78	1,523	—	2,221
Currency realignment	—	(6)	—*	(14)	—	(20)
Provided for the year	—	113	11	318	—	442
Impairment loss recognised in profit or loss	—	6	—*	12	—	18
Disposal	—	(4)	(8)	(38)	—	(50)
At December 31, 2019 and January 1, 2020	—	729	81	1,801	—	2,611
Currency realignment	—	26	2	61	—	89
Provided for the year	—	123	10	362	—	495
Impairment loss recognised in profit or loss	—	7	1	17	—	25
Disposal	—	(6)	(25)	(56)	—	(87)
At December 31, 2020	—	879	69	2,185	—	3,133
Carrying values:						
At December 31, 2020	552	2,113	72	2,561	233	5,531
At December 31, 2019	542	1,992	58	2,468	346	5,406

Certain of the Group's buildings of US$896 million as at December 31, 2020 (2019: US$856 million) are erected on land held in China while the rest are erected on freehold land situated in the U.S. and Europe.

As at December 31, 2020, the application for obtaining the ownership certificates of buildings in China with an aggregate carrying value of approximately US$188 million (2019: US$187 million) was still in progress.

Property, plant and equipment with a carrying amount of approximately US$25 million (2019: US$18 million) have been fully impaired and recognised in profit or loss for the year ended December 31, 2020.

* Less than US$1 million.

15. PROPERTIES UNDER DEVELOPMENT

Properties under development expected to be completed:

	2020 US$'million	2019 US$'million
Within normal operating cycle included under current assets	**130**	102

Properties under development expected to be completed within normal operating cycle and recovered:

	2020 US$'million	2019 US$'million
Within one year	**48**	19
After one year	**82**	83
	130	102

16. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings US$'million	**Land** US$'million	**Plant, machinery and equipment** US$'million	**Motor vehicles** US$'million	**Contract farms** US$'million	**Total** US$'million
At January 1, 2019	170	198	16	52	132	568
Currency realignment	(—*)	(—*)	(—*)	(—*)	(—*)	(—*)
Additions	81	23	21	23	65	213
Depreciation	(36)	(10)	(9)	(23)	(52)	(130)
Impairment loss recognised in profit or loss	(5)	—	—	—	—	(5)
At December 31, 2019 and January 1, 2020	**210**	**211**	**28**	**52**	**145**	**646**
Currency realignment	**—***	**20**	**1**	**—***	**—***	**21**
Additions	**36**	**43**	**14**	**32**	**25**	**150**
Depreciation	**(38)**	**(8)**	**(13)**	**(33)**	**(47)**	**(139)**
Terminated	**(13)**	**(1)**	**(1)**	**(—*)**	**(7)**	**(22)**
Remeasurement	**3**	**1**	**(1)**	**1**	**26**	**30**
Impairment loss recognised in profit or loss	**(2)**	**—**	**—**	**—**	**—**	**(2)**
At December 31, 2020	**196**	**266**	**28**	**52**	**142**	**684**

* Less than US$1 million.

16. LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 US$'million	2019 US$'million
As at January 1	465	386
New leases	129	180
Interest expenses	20	18
Acquisition of subsidiaries (Note 34)	—	3
Payments	(152)	(116)
Terminated	(22)	—
Remeasurement	30	—
Currency realignment	6	(6)
As at December 31	476	465
Analysed for reporting purposes as:		
Current liabilities	103	108
Non-current liabilities	373	357
	476	465

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

As disclosed in note 2.3 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain property, plant and equipment during the year.

16. LEASES (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 US$'million	2019 US$'million
Interest on lease liabilities	20	18
Depreciation charge of right-of-use assets	139	130
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019	91	75
Variable lease payments not included in the measurement of lease liabilities	23	12
Gain on sale and leaseback transactions	(—*)	(—*)
Impairment of right-of-use assets	2	5
	275	240

(d) Extension and termination options

The Group has leases with remaining lease terms ranging from more than 1 year to 33 years. The leases containing extension and termination options are managed locally and vary in terms. The Group has included extension or termination options in the measurement of the lease obligations when it is reasonably certain to exercise the options.

(e) Variable lease payments

The Group has leases containing variable lease payment terms not depending on an index or rate for hog raising facilities, buildings, motor vehicles, machinery and equipment. Management is responsible for negotiating the lease terms and each term may vary depending on the underlying asset and reportable segment. Variable lease payments terms are based on a multiple of factors including the overall usage of the underlying asset, maintenance and repair services, property taxes and insurance.

The Group expects the overall financial impact for future years to be consistent with the variable lease payments that were incurred during 2020.

(f) Sales and leaseback transactions

On August 27, 2019, the Group sold a cold storage facility located in Maryland, the U.S. for US$81 million, net of transaction costs. In September 2019, the Group executed a 20-year lease agreement, in which the buyer agreed to lease the cold storage facility back to the Group. In addition to the 20-year term, the lease contains two 10-year renewal periods that would begin at the sole discretion of the Group with no penalty for a failure to renew the lease.

In addition, in 2020 and 2019, the Group sold 4 and 23 farms for an aggregate price of US$8 million and US$47 million, respectively, while retaining ownership of the underlying land. Subsequent to each sale, the Group leased the farms back for a non-cancellable term of approximately 15 years with renewal options.

* Less than US$1 million.

16. LEASES (continued)

(g) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 35 and 37, respectively, to the financial statements.

17. BIOLOGICAL ASSETS

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

	2020 Head million	2019 Head million
Live hogs		
— suckling	**2**	2
— nursery	**2**	2
— finishing	**8**	8
	12	12
Breeding stock (hogs)	**1**	1
	13	13
Broilers	**9**	5
Breeding stock (poultry)	**—***	—*
	9	5

Hogs

In general, once a sow is inseminated, it will gestate for a period of 114 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, at approximately 1 to 8 kilograms, they are transferred to the "nursery".

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed with a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately 6 weeks where they will grow to approximately 7 to 45 kilograms and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 13 to 19 weeks. During that time, they will grow to approximately 23 to 132 kilograms and be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

* Less than 1 million heads.

17. BIOLOGICAL ASSETS (continued)

Poultry

In general, once a pullet lays eggs, the eggs will be sent to the hatchery and it will take approximately 21 days to be hatched. The hatched chicks are then sent to the broiler farm.

The chicks are fed with a series of specially formulated diets to meet their nutrition needs. The chicks will stay in the broiler farm for approximately 38 to 42 days where they will grow to approximately 2.1 kilograms and then be considered as a broiler with market value.

Once the broiler reaches the market weight, they are loaded onto specially designed trucks for transport to the processing facility.

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 aiming at complying 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 aiming at monitoring and mitigating those risks, including regular inspections, disease controls and insurance.

17. BIOLOGICAL ASSETS (continued)

Carrying value of the Group's biological assets

	Live hogs		Breeding stock (hogs)		Broilers		Breeding stock (poultry)		Total	
	2020 US$'million	2019 US$'million	2020 US$'million	2019 US$'million	2020 US$'million	2019 US$'million	2020 US$'million	2019 US$'million	2020 US$'million	2019 US$'million
Carrying value at January 1	1,101	942	135	145	6	5	2	2	1,244	1,094
Currency realignment	6	(6)	4	(2)	2	—*	1	(—*)	13	(8)
Add: Breeding costs	7,616	7,662	186	179	191	144	12	9	8,005	7,994
Gain (loss) arising from changes in fair value less costs to sell of biological assets	(132)	40	(73)	(57)	1	(1)	(5)	(4)	(209)	(22)
Transfer to inventories at the point of harvest	(7,283)	(7,346)	(84)	(93)	(157)	(119)	(6)	(4)	(7,530)	(7,562)
Decrease due to culling	(280)	(191)	(36)	(37)	(24)	(23)	(1)	(1)	(341)	(252)
Carrying value at December 31	1,028	1,101	132	135	19	6	3	2	1,182	1,244

Analysed for reporting purposes as:

	2020 US$'million	2019 US$'million
Current	1,047	1,107
Non-current	135	137
	1,182	1,244

Fair value measurement — Level 3

	2020 US$'million	2019 US$'million
Biological assets		
Live hogs	1,028	1,101
Breeding stock (hogs)	132	135
Broilers	19	6
Breeding stock (poultry)	3	2
	1,182	1,244

* Less than US$1 million.

17. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3 (continued)

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

The fair values of live hogs and broilers are mainly determined based on the price of hogs and broilers in the actively traded market, subtracting the breeding costs required to raise the live hogs and broilers to be slaughtered and the margins that would be required by a raiser and less costs to sell (Level 3). The estimated fair value will increase when there is an increase in the market price of hogs and broilers or decrease in the breeding cost required to raise the live hogs and broilers, and vice versa.

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 both years. The Group's biological assets were valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") situated at 7/F, One Taikoo Place, 979 King's Road, Hong Kong.

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

	2020 **RMB**	2019 RMB
China		
Breeding stock (hogs)		
Per head market price(1)	**4,444**	1,901
Suckling hogs		
Per head cost(2)	**886**	139
Finishing hogs		
Per head market price(3)	**2,929**	3,332
Per head weekly average breeding costs required to raise to finishing hogs(4)	**119**	85
Breeding stock (poultry)		
Per head market price(1)	**25**	25
Broilers		
Per head market price(3)	**16**	19
Per head average breeding costs required to raise to broilers(4)	**20**	18

17. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3 (continued)

	2020 US$	2019 US$
U.S.		
Breeding stock — Sow (hogs)		
Per head market price[1]	118	125
Breeding stock — Boar (hogs)		
Per head market price[1]	43	46
Suckling hogs		
Per head cost[2]	33	32
Finishing hogs		
Per head market price[3]	143	153
Per head weekly average breeding costs required to raise to finishing hogs[4]	3.2	5.7

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 suckling hogs are only 4 weeks old at most, the recent cost incurred approximates the replacement cost.
3.	Market prices of finishing hogs/broilers	The adopted selling prices of finishing hogs/broilers (which are finishing hogs/broilers that are 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	The costs to complete used as an assumption in valuation are based to complete 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.

18. GOODWILL

	2020 US$'million	2019 US$'million
Cost:		
At January 1	1,955	1,847
Acquisition of subsidiaries (Note 34)	31	111
Currency realignment	22	(3)
At December 31	2,008	1,955
Accumulated impairment losses:		
At January 1 and December 31	—	—
Carrying value:		
At December 31	2,008	1,955

Impairment testing on goodwill

Based on the Group's business units, goodwill has been allocated for impairment testing purpose to the following CGUs:

- Pork
- Packaged meats

The carrying amount of goodwill allocated to the CGUs is as follows:

	2020 US$'million	2019 US$'million
Allocated to		
Pork — China	51	48
Packaged meats — China	147	137
Pork — U.S.	40	31
Packaged meats — U.S.	1,536	1,510
Pork and packaged meats — Europe	234	229
	2,008	1,955

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amounts of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by the value in use method using cash flow projections performed by the management for both years ended December 31, 2020 and December 31, 2019.

18. GOODWILL (continued)

Impairment testing on goodwill (continued)

For the purpose of impairment testing, the Group prepares cash flow projection and the recoverable amounts of these CGUs are calculated by using pre-tax cash flow projections based on a 3-year/5-year financial budget approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projections of pork in China/the U.S. covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S.	
	2020	2019	**2020**	2019
	%	%	**%**	%
Revenue growth rate (Note i)	**(6.9)–15.1**	(23.8)–46.6	**2.0**	2.0–12.6
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**10**	11	**6**	7

Key assumptions used in the cash flow projections of packaged meats in China/the U.S. covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S.	
	2020	2019	**2020**	2019
	%	%	**%**	%
Revenue growth rate (Note i)	**1.3–17.4**	7.2–14.1	**2.1**	2.1–4.7
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**10**	11	**6**	7

Key assumptions used in the cash flow projection of pork and packaged meats in Europe covering a 5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	2020	2019
	%	%
Revenue growth rate (Note i)	**3.5**	3.0–7.4
Long-term growth rate (Note ii)	**4**	3
Discount rate (Note iii)	**7**	8

Notes:

i. The management determined the revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is the pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the CGUs.

18. GOODWILL (continued)

Impairment testing on goodwill (continued)

No impairment loss is recognised at the end of both years based on the impairment assessment performed. The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount of the CGUs.

19. INTANGIBLE ASSETS

	Trademarks US$'million	Distribution network US$'million	Patents US$'million	Customer relations US$'million	Contract farm relations US$'million	Rights and permits US$'million	Total US$'million
Cost:							
At January 1, 2019	1,667	5	1	55	40	6	1,774
Currency realignment	(5)	—	—	(—*)	—	—	(5)
At December 31, 2019 and January 1, 2020	1,662	5	1	55	40	6	1,769
Currency realignment	28	—	—	—*	—	—	28
Acquisition of subsidiaries (Note 34)	—	—	—	32	—	—	32
At December 31, 2020	1,690	5	1	87	40	6	1,829
Amortisation and impairment:							
At January 1, 2019	—	—	1	28	10	1	40
Currency realignment	—	—	—	—*	—	—*	—*
Amortisation provided for the year	1	—	—	6	2	—*	9
Impairment provided for the year	8	—	—	—	—	—	8
At December 31, 2019 and January 1, 2020	9	—	1	34	12	1	57
Currency realignment	—	—	—	—*	—	—*	—*
Amortisation provided for the year	2	—	—	4	2	—*	8
Impairment provided for the year	2	—	—	—	—	—	2
At December 31, 2020	13	—	1	38	14	1	67
Carrying values:							
At December 31, 2020	1,677	5	—*	49	26	5	1,762
At December 31, 2019	1,653	5	—*	21	28	5	1,712

Patents, customer relations, contract farm relations and rights and permits are amortised over their estimated useful lives of 5 to 25 years.

Trademarks and distribution network acquired in the business combinations are identified and recognised as intangible assets with indefinite useful lives and carried at historical cost without amortisation for the following reasons:

— they are capable of being renewed indefinitely at insignificant cost;

— there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

* Less than US$1 million.

19. INTANGIBLE ASSETS (continued)

Impairment testing on intangible assets

Based on the Group's business units, trademarks and distribution network have been allocated for impairment testing purpose to the following CGUs:

- Pork
- Packaged meats

The carrying amount of trademarks and distribution network were allocated to CGUs as follows:

	2020 US$'million	2019 US$'million
Allocated to		
Pork — China	51	47
Packaged meats — China	302	282
Pork — U.S.	234	234
Packaged meats — U.S.	981	983
Pork and packaged meats — Europe	114	112
	1,682	1,658

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amounts of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by the value in use method using cash flow projections by management for the years ended December 31, 2020 and December 31, 2019.

For the purpose of impairment testing, the Group prepares cash flow projections based on a 3-year/5-year financial budgets approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projections of trademarks and distribution network of pork covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S.	
	2020 %	2019 %	2020 %	2019 %
Revenue growth rate (Note i)	(6.9)–15.1	(23.8)–46.6	2.0	2.0–12.6
Long-term growth rate (Note ii)	2	2	2	2
Discount rate (Note iii)	13	14	6	7

19. INTANGIBLE ASSETS (continued)

Impairment testing on intangible assets (continued)

Key assumptions used in the cash flow projections of trademarks and distribution network of packaged meats covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2020	2019	**2020**	2019
	%	%	**%**	%
Revenue growth rate (Note i)	**1.3–17.4**	7.2–14.1	**2.1**	2.1–4.7
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**13**	14	**6**	7

Key assumptions used in the cash flow projection of trademarks and distribution network of pork and packaged meats in other locations outside of China and U.S. covering a 5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	2020	2019
	%	%
Revenue growth rate (Note i)	**3.5**	3.0–7.4
Long-term growth rate (Note ii)	**4**	3
Discount rate (Note iii)	**7**	8

Notes:

i. The management determined the revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is the pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the trademarks and distribution network.

The Group has recognised an impairment loss of US$2 million in respect of trademarks for the year ended December 31, 2020 (2019: US$8 million) based on the impairment assessment performed. The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the trademarks and distribution network to exceed the aggregate recoverable amount of these assets.

20. INTERESTS IN ASSOCIATES

	2020 US$'million	2019 US$'million
Share of net assets	47	42

All the Group's associates are not considered as individually material as at December 31, 2020 and December 31, 2019. The aggregate amounts of its share of these associates are set out in the consolidated financial statements.

Aggregate information of associates that are not individually material is set out below:

	2020 US$'million	2019 US$'million
The Group's share of profits and total comprehensive income for the year	4	4
Dividends received during the year	2	—*

21. INTERESTS IN JOINT VENTURES

	2020 US$'million	2019 US$'million
Share of net assets	307	305

All the Group's joint ventures are not considered as individually material as at December 31, 2020 and December 31, 2019. The aggregate amounts of its share of these joint ventures are set out in the consolidated financial statements.

Aggregate information of joint ventures that are not individually material is set out below:

	2020 US$'million	2019 US$'million
The Group's share of profits and total comprehensive income for the year	12	11
Dividends received during the year	—	—

* Less than US$1 million.

22. INVENTORIES

	2020 US$'million	2019 US$'million
Raw materials	1,018	904
Work in progress	103	97
Finished goods	1,520	1,902
	2,641	2,903

23. TRADE AND BILLS RECEIVABLES

	2020 US$'million	2019 US$'million
Trade receivables	931	1,049
Impairment	(24)	(11)
	907	1,038
Bills receivable	8	9
	915	1,047

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 channel and customers for the U.S. and other countries' operations. The following is an aging analysis of the trade and bills receivables net of loss allowance presented based on the dates of delivery of goods which approximated the respective dates on which revenue was recognised:

	2020 US$'million	2019 US$'million
Current to 30 days	802	879
31 to 90 days	112	167
91 to 180 days	1	1
Over 180 days	—	—
	915	1,047

Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

23. TRADE AND BILLS RECEIVABLES (continued)

In determining the recoverability of the trade receivables, the Group monitors the change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

No interest is charged on trade receivables. Loss allowances are made based on the estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flows discounted at the original effective interest rate.

As at December 31, 2020, trade receivables of US$567 million (December 31, 2019: US$651 million) were pledged as security for certain credit facilities of the Group (Note 40).

Movement in loss allowance for impairment of trade receivables:

	2020 US$'million	2019 US$'million
At January 1	**(11)**	(12)
(Impairment loss) reversal of impairment losses, net	**(13)**	1
Currency realignment	**—***	—*
At December 31	**(24)**	(11)

Impairment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

* Less than US$1 million.

23. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

December 31, 2020

	Current to 90 days past due	91 to 180 days past due	More than 180 days past due	Total
Expected loss rate	**0.51%**	**99.52%**	**91.48%**	**2.53%**
Gross carrying amount (US$'million)	**911**	**11**	**9**	**931**
Loss allowance provision (US$'million)	**5**	**11**	**8**	**24**

December 31, 2019

	Current to 90 days past due	91 to 180 days past due	More than 180 days past due	Total
Expected loss rate	1.00%	0.25%	5.30%	1.06%
Gross carrying amount (US$'million)	1,049	—*	—*	1,049
Loss allowance provision (US$'million)	11	—*	—*	11

* Less than US$1 million.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 US$'million	2019 US$'million
Prepayments	61	84
Debt investments at amortised cost	38	—
Loans receivables	60	86
Deposits paid to suppliers	130	59
Deposits placed with financial institutions	—	53
Receivables from financial institutions	46	14
Derivative financial instruments (Note 26)	80	74
Value-added tax recoverable	101	118
Others	53	74
	569	562
Analysed for reporting purposes as:		
Current assets	512	508
Non-current assets	57	54
	569	562

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US$'million	2019 US$'million
Financial assets at fair value through profit or loss		
Unlisted investments:		
Financial products	882	447
Equity investments	10	10
	892	457
Analysed for reporting purposes as:		
Current assets	882	447
Non-current assets	10	10
	892	457

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The investments classified as current at December 31, 2020 and December 31, 2019 are mainly wealth management products issued by banks in China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The above non-current equity investments were measured at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	2020		2019	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Fair value hedges				
Grain contracts	—	6	1	—*
Livestock contracts	—	2	2	—
Cash flow hedges				
Foreign currency forward contracts	—*	4	1	2
Grain contracts	95	—*	—*	22
Livestock contracts	5	5	78	6
	100	17	82	30

Fair value hedges

The Group entered into derivative instruments (primarily forward contracts) to minimise its exposure to fair value changes of its commitments to buy grains and livestock. The directors of the Company consider that those derivative instruments are highly effective hedging instruments. Major terms of the derivative instruments are set out below:

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges (continued)

At December 31, 2020

Derivative instruments	Notional volume Minimum	Notional volume Maximum	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts					(10)
Grains					
— Soybeans	5,000	2,995,000	Bushels	Up to January 2022	
— Soybean meal	—	77,000	Tons	Up to January 2021	
— Corn	225,000	6,030,000	Bushels	Up to March 2022	
Lean hogs	44,640,000	121,360,000	Pounds	Up to October 2021	22

At December 31, 2019

Derivative instruments	Notional volume Minimum	Notional volume Maximum	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts					
Grains					—*
— Soybeans	10,000	525,000	Bushels	Up to November 2020	
— Corn	1,465,000	5,820,000	Bushels	Up to March 2021	
Lean hogs	63,000,000	128,920,000	Pounds	Up to December 2020	7

The hedge ineffectiveness can arise from:

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments
- differences in the timing of cash flows of the forecasted transactions and the hedging instruments

The commodities contracts as at December 31, 2020 and December 31, 2019 are recorded in "Prepayments, other receivables and other assets" and "Accrued expenses and other payables" in the consolidated statement of financial position.

* Less than US$1 million

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges

At December 31, 2020 and December 31, 2019, the Group entered into derivative instruments, such as futures, swaps, option contracts and foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs, pork, and the forecasted purchase of corn and soybean meal as well as foreign currency risk associated with fluctuating foreign currency rates. The terms of the derivative instruments have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

At December 31, 2020

	Notional volume				Change in fair value used for measuring hedge ineffectiveness for the year
Derivative instruments	Minimum	Maximum	Metric	Maturity	US$'million
Commodities contracts					
Lean hogs	131,280,000	2,328,040,000	Pounds	Up to December 2021	515
Grains					(24)
— Corn	64,144,044	110,857,129	Bushels	Up to December 2021	
— Soybean meal	520,900	969,000	Tons	Up to December 2021	
Foreign currency forward contracts	US$4,000,000	US$62,537,541	Various currencies	Up to December 2021	(1)

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges (continued)

At December 31, 2019

Derivative instruments	Notional volume Minimum	Maximum	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts					
Lean hogs	133,040,000	1,987,320,000	Pounds	Up to March 2021	469
Grains					(32)
— Corn	110,857,129	178,230,000	Bushels	Up to December 2021	
— Soybean meal	665,600	1,170,600	Tons	Up to March 2021	
Foreign currency forward contracts	US$63,000	US$61,022,670	Various currencies	Up to December 2020	—*

The hedge ineffectiveness can arise from:

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments
- differences in the timing of cash flows of the forecasted transactions and the hedging instruments

The impact of the hedged items on the consolidated financial statements are as follows:

	Total hedging gain (loss) recognised in other comprehensive income US$'million	Amount reclassified from other comprehensive income to profit or loss US$'million	Hedge ineffectiveness recognised in profit or loss US$'million	Deferred net gain (loss) included in other reserve US$'million	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
As at December 31, 2020					
Highly probable forecast lean hog transactions	**489**	**594**	**26**	**(75)**	**515**
Highly probable forecast grain transactions	**(19)**	**(155)**	**(5)**	**111**	**(24)**
As at December 31, 2019					
Highly probable forecast lean hog transactions	466	445	3	32	469
Highly probable forecast grain transactions	(31)	(25)	(1)	(27)	(32)

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges (continued)

The commodities contracts, interest rate contracts and foreign currency forward contracts as at December 31, 2020 and December 31, 2019 are recorded in "Prepayments, other receivables and other assets" and "Accrued expenses and other payables" in the consolidated statement of financial position.

The hedge ineffectiveness for forecast lean hog and grain transactions are recognised in "Revenue" and "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income, respectively.

Derivatives not under hedge accounting

	2020		2019	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Grain contracts	3	14	5	9
Livestock contracts	—*	—*	1	1
Energy contracts	3	10	2	11
Foreign currency forward contracts	—*	—*	—*	—*
	6	24	8	21

Major terms of such derivatives are as follows:

Derivative instruments	Notional volume Minimum	Notional volume Maximum	Metric	Maturity
At December 31, 2020				
Commodities contracts				
Wheat	395,000	3,110,000	Bushels	Up to July 2022
Soybean meal	—	95,100	Tons	Up to October 2021
Lean hogs	10,680,000	486,950,909	Pounds	Up to October 2021
Corn	758,809	21,455,000	Bushels	Up to December 2022
Soybeans	5,000	2,765,000	Bushels	Up to November 2021
Live cattle	—	4,800,000	Pounds	Up to April 2021
Natural gas	6,930,000	14,050,000	British thermal units	Up to December 2021
Diesel	18,060,000	32,130,000	Gallons	Up to December 2021
Wind energy	3,300,615	3,300,615	Megawatt-hour	Up to September 2032
Foreign currency forward contracts	US$4,495,667	US$62,475,302	Various currencies	Up to July 2021

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives not under hedge accounting (continued)

Major terms of such derivatives are as follows:

	Notional volume			
Derivative instruments	Minimum	Maximum	Metric	Maturity
At December 31, 2019				
Commodities contracts				
Wheat	165,000	1,950,000	Bushels	Up to July 2020
Soybean meal	1,400	49,900	Tons	Up to August 2020
Lean hogs	10,920,000	82,160,000	Pounds	Up to December 2020
Corn	2,702,871	21,047,468	Bushels	Up to December 2021
Soybeans	30,000	3,915,000	Bushels	Up to January 2021
Live cattle	—	160,000	Pounds	Up to August 2020
Natural gas	10,760,000	17,000,000	British thermal units	Up to December 2021
Wind energy	—	3,300,615	Megawatt-hour	Up to September 2032
Diesel	17,136,000	21,168,000	Gallons	Up to December 2021
Foreign currency forward contracts	US$2,510,541	US$289,679,130	Various currencies	Up to April 2020

Derivative financial assets and liabilities of US$1 million, US$79 million, US$9 million and US$7 million (2019: US$1 million, US$73 million, US$8 million and US$27 million) are recorded as non-current assets, current assets, non-current liabilities and current liabilities, respectively.

27. PLEDGED/RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

At December 31, 2020, bank balances carry interest at market rates ranging from 0.01% to 4.13% (2019: 0.01% to 4.50%) per annum. The pledged and restricted bank deposits carry fixed interest rates from 0.01% to 4.13% (2019: 0.01% to 3.91%) per annum.

At December 31, 2020, pledged bank deposits represented deposits of US$3 million (2019: US$13 million) pledged to banks for securing banking and trading facilities such as letters of credit and bank loans granted to the Group, and US$3 million (2019: US$2 million) pledged for securing a loan from a third party. These pledged bank deposits will be released upon the settlement of relevant borrowings or the release of the relevant facilities.

At December 31, 2020, bank balance of US$2 million (2019: US$1 million) is pledged for worker's compensation insurance claims in the U.S..

At December 31, 2020, a subsidiary of the Group which is engaged in financial services, was governed by the law to place US$49 million (2019: US$29 million) of a statutory deposit in the People's Bank of China. US$5 million (2019: less than US$1 million) was placed at designated bank account by a subsidiary of the Group which is engaged in property development as guarantee deposits.

28. TRADE 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 countries of 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 analysis of trade payables based on the invoice date:

	2020 US$'million	2019 US$'million
Within 30 days	**891**	1,045
31 to 90 days	**19**	26
91 to 180 days	**1**	2
181 to 365 days	**2**	1
	913	1,074

Included in trade payables of US$9 million (2019: Nil) were amounts due to associates (note 42(b)).

29. ACCRUED EXPENSES AND OTHER PAYABLES

	2020 US$'million	2019 US$'million
Accrued staff costs	732	491
Deposits received	90	91
Sales rebates payables	261	191
Payables in respect of acquisition of property, plant and equipment	77	89
Accrued insurance	155	135
Interest payable	27	24
Balance of contingent consideration in respect of acquisition of subsidiaries	11	10
Growers payables	45	43
Pension liability (Note 33)	23	18
Amounts due to associates (Note 42(b))	—	15
Derivative financial instruments (Note 26)	16	35
Accrued professional expenses	24	23
Accrued rent and utilities	32	28
Dividend payables	14	18
Contract liabilities (Note)	520	305
Other accrued expenses	302	233
Other payables	98	126
	2,427	1,875
Analysed for reporting purposes as:		
Current liabilities	2,136	1,686
Non-current liabilities	291	189
	2,427	1,875

Note:

Contract liabilities include advances received from customers in relation to sales of meat products and sales proceeds received from buyers in connection with the Group's pre-sales of properties. The increase in contract liabilities in 2020 and 2019 was driven by more advances received at the end of the reporting period due to seasonal factors and agreed payment terms. As at January 1, 2019, contract liabilities amounted to US$161 million.

30. BORROWINGS

	2020 US$'million	2019 US$'million
Senior unsecured notes:		
2.650% senior unsecured notes due October 2021	**310**	399
3.350% senior unsecured notes due February 2022	**307**	398
4.250% senior unsecured notes due February 2027	**596**	595
5.200% senior unsecured notes due April 2029	**395**	395
3.000% senior unsecured notes due October 2030	**490**	—
	2,098	1,787
Commercial papers (Note i)	**—**	125
Bank loans (Note ii):		
Secured	**11**	38
Unsecured	**524**	1,139
Loans from third parties (Note iii):		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings other than bank overdrafts	**2,636**	3,092
Bank overdrafts (Note iv)	**46**	—
The borrowings other than bank overdrafts are repayable as follows (Note v):		
Within one year	**796**	905
One to two years	**326**	421
Two to five years	**31**	773
After five years	**1,483**	993
	2,636	3,092
Less: Amounts due within one year shown under current liabilities	**(796)**	(905)
Amounts due after one year	**1,840**	2,187
Total borrowings other than bank overdrafts:		
At fixed rates	**2,599**	2,385
At floating rates	**37**	707
	2,636	3,092

30. BORROWINGS (continued)

	2020 US$'million	2019 US$'million
Analysis of borrowings (other than bank overdrafts) by currency:		
Denominated in US$	2,099	2,273
Denominated in RMB	489	582
Denominated in PLN	3	144
Denominated in RON	42	41
Denominated in HK$	—	50
Denominated in EUR	2	2
Denominated in GBP	1	—
	2,636	3,092

Notes:

i. In May 2018, the Group established a new commercial paper program to issue short-term notes. The program allows the Group to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, the Group pays a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The maturities of the issued papers may vary, but may not exceed 397 days from the date of issuance. The issuance of commercial papers has the effect of reducing available liquidity by an amount equal to the principal amount of outstanding commercial papers. Maximum issuance capacity under the program is US$1,750 million. There was no outstanding commercial papers as at December 31, 2020 (2019: US$125 million).

ii. Fixed rate bank loans carry interest at fixed rates ranging from 1.80% to 5.80% (2019: 2.25% to 5.80%) and floating rates ranging from WIBOR + 0.58% to ROBOR + 1% per annum at December 31, 2020 (2019: WIBOR + 0.5% to the U.S. Prime + 0.375% per annum).

iii. Loans from third parties carry interest at a fixed rate of 0.9% per annum at December 31, 2020 (2019: 0.9% per annum).

iv. Bank overdrafts at December 31, 2020 carry interest at a floating rate of 2.8% per annum.

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

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the years ended December 31, 2020 and December 31, 2019. Details of assets pledged to secure such borrowings are set out in note 40 to the financial statements.

31. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 US$'million	2019 US$'million
Deferred tax assets	**61**	66
Deferred tax liabilities	**(553)**	(660)
	(492)	(594)

The following are the major deferred tax assets/liabilities recognised by the Group, and the movements thereon during the year:

Tax effect of deductible temporary differences:

	Impairment of financial assets US$'million	Impairment loss and accelerated accounting depreciation on property, plant and equipment US$'million	Unrealised profit in inventories US$'million	Write-down of inventories US$'million	Tax losses US$'million	Unpaid staff welfare US$'million	Capitalised research and development expenditures US$'million	Fair value changes arising from biological assets US$'million	Other deductible temporary differences US$'million	Total US$'million
At January 1, 2019	—*	5	15	—*	71	126	—	33	69	319
Currency realignment	—*	—*	—*	—*	—*	—	—	—	—*	—*
Acquisition of subsidiaries (Note 34)	—	—	—	—	—*	—	—	—	1	1
Credited (charged) to profit or loss	—*	—*	10	3	(9)	(12)	—	(21)	6	(23)
Credited to equity	—	—	—	—	—	49	—	—	—*	49
At December 31, 2019 and January 1, 2020	**—***	**5**	**25**	**3**	**62**	**163**	**—**	**12**	**76**	**346**
Currency realignment	**—***	**—***	**—***	**—***	**1**	**—**	**—**	**—**	**(—*)**	**1**
Credited (charged) to profit or loss	**—***	**—***	**(15)**	**4**	**(3)**	**(30)**	**52**	**40**	**78**	**126**
Credited to equity	**—**	**—**	**—**	**—**	**—**	**31**	**—**	**—***	**(1)**	**30**
At December 31, 2020	**—***	**5**	**10**	**7**	**60**	**164**	**52**	**52**	**153**	**503**

* Less than US$1 million.

31. DEFERRED TAXATION (continued)

Tax effect of taxable temporary differences:

	Accelerated tax depreciation US$'million	Undistributed earnings of subsidiaries US$'million	Fair value changes arising from business combination US$'million	Fair value changes arising from biological assets US$'million	Other taxable temporary differences US$'million	Total US$'million
At January 1, 2019	(423)	(10)	(421)	(3)	(3)	(860)
Currency realignment	2	—	—*	—*	2	4
Acquisition of subsidiaries (Note 34)	(16)	—	—	—	—	(16)
(Charged) credited to profit or loss	(26)	(22)	(8)	(—*)	2	(54)
(Charged) credited to equity	(—*)	—	(—*)	—*	(14)	(14)
At December 31, 2019 and January 1, 2020	(463)	(32)	(429)	(3)	(13)	(940)
Currency realignment	(8)	(2)	(10)	—	(1)	(21)
Acquisition of subsidiaries (Note 34)	—*	—	—	—	—	—*
(Charged) credited to profit or loss	(27)	3	(6)	—*	7	(23)
(Charged) credited to equity	(—*)	—	—*	—	(11)	(11)
At December 31, 2020	(498)	(31)	(445)	(3)	(18)	(995)

At December 31, 2020, the Group had unused tax losses of US$263 million (2019: US$263 million) available for offsetting against future profits of which a deferred tax asset has been recognised in respect of US$200 million (2019: US$207 million) of such losses. No deferred tax asset has been recognised in respect of such losses of US$63 million (2019: US$56 million) due to the unpredictability of future profit stream. There are no unrecognised tax losses at December 31, 2020 that may be carried forward indefinitely and such losses will expire on or before 2040 (2019: Nil).

* Less than US$1 million.

31. DEFERRED TAXATION (continued)

The unrecognised tax losses will expire on or before 2040 as follows:

	2020 US$'million	2019 US$'million
By end of		
2020	—	7
2021	1	3
2022	15	12
2023	3	—
after 2024	44	34
	63	56

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$3,468 million (2019: US$3,201 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

32. DEFERRED REVENUE

	2020 US$'million	2019 US$'million
Government grant	44	10

The deferred revenue for the year ended December 31, 2020 and December 31, 2019 represents government grant received in relation to the construction of property, plant and equipment of the Group. As the related assets are under construction, the grant received from the government will be released to profit or loss as other income over the useful lives of the related amounts after the construction is completed.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS

Defined benefit plans

The group entities which operate in the U.S. operate funded defined benefit scheme for all their qualified employees. Pension benefits provided by the Group are currently organised primarily through defined benefit pension plans which cover virtually all the U.S. employees and certain employees in Europe of the Group. Salaried employees are provided with benefits based on years of service and average salary levels. Hourly employees are provided with benefits of stated amounts for each year of service.

The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers, employees and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The plan in the U.S. exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and price risk are as follows:

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liability, the board of the pension fund considers it is appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estates to leverage the return generated by the fund.

Interest rate risk

A decrease in the interest rate of fixed income products will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Price risk

An increase in the market price of equity investments will increase the plan assets.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

Price risk (continued)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at the end of the reporting period by Mercer (US), Inc.. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31,	
	2020	2019
Discount rate	**2.80%**	3.50%
Expected rate of salary increase	**4%**	4%

The actuarial valuation showed that the market value of plan assets was US$2,123 million as at December 31, 2020 (2019: US$1,812 million).

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2020 US$'million	2019 US$'million
Current service cost	**85**	69
Net interest expense	**17**	18
Total	**102**	87

Remeasurement of the net defined benefit liability included in other comprehensive income (expense) is as follows:

	2020 US$'million	2019 US$'million
Return on plan assets (excluding amounts included in net interest expense)	**154**	141
Actuarial losses arising from change in financial assumptions	**(275)**	(333)
	(121)	(192)
Deferred taxation (Note 31)	**31**	49
Total	**(90)**	(143)

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2020 US$'million	2019 US$'million
Present value of funded defined benefit obligations	**2,698**	2,378
Fair value of plan assets	**(2,123)**	(1,812)
Funded status and net liability arising from defined benefit obligation	**575**	566
Other retirement benefits, net	**10**	10
	585	576
Included in:		
Current liabilities (Note 29)	**23**	18
Non-current liabilities	**562**	558
	585	576

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2020 US$'million	2019 US$'million
Defined benefit obligation at January 1	**2,378**	2,071
Current service cost	**85**	69
Interest cost	**80**	90
Benefits paid	**(120)**	(185)
Remeasurement losses:		
Actuarial losses arising from change in financial assumptions	**275**	333
Defined benefit obligation at December 31	**2,698**	2,378

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

Movements in the present value of the plan assets in the current year were as follows:

	2020 US$'million	2019 US$'million
Fair value of plan assets at January 1	1,812	1,625
Interest income	63	72
Contributions from the employers	214	159
Benefits paid	(120)	(185)
Remeasurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	154	141
Fair value of plan assets at December 31	2,123	1,812

The fair values of the plan assets as at the end of the reporting period for each category are as follows:

	Fair value of plan assets at December 31,	
	2020 US$'million	2019 US$'million
Cash and cash equivalents	117	142
Equity securities	1,062	616
Debt securities	645	877
Alternative investments	10	78
Limited partnerships	211	179
Total fair value	2,045	1,892
Unsettled transactions, net	78	(80)
Total plan assets	2,123	1,812

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of alternative investments and limited partnerships are not based on quoted market prices in active markets. As at December 31, 2020, US$835 million, US$999 million and US$211 million of plan assets (2019: US$757 million, US$956 million and US$179 million) are classified as Level 1, Level 2 and Level 3, respectively.

The actual return on plan assets was 8.07% (2019: 5.55%) over 5 years.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease (increase) by US$221 million (2019: decrease (increase) by US$183 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

Pension plan assets may be invested in cash and cash equivalents, equity securities, debt securities and alternative assets (including alternative investments, limited partnerships and insurance contracts). The investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. Maturity for fixed income securities is managed such that sufficient liquidity exists to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within parameters established by the plan trustees.

The following table presents the fair value of the qualified pension plan assets by major asset category as at the end of the reporting period. The allocation of the pension plan assets is based on the target range presented in the following table.

	At December 31, 2020		At December 31, 2019	
	US$'million	Target range	US$'million	Target range
Asset categories				
Cash and cash equivalents, net of unsettled transactions	195	0–4%	62	0–4%
Equity securities	1,062	30–50%	616	30–50%
Debt securities	645	35–55%	877	35–55%
Alternative assets	221	5–20%	257	5–20%
Total	2,123		1,812	

The Group expects to make a contribution of US$97 million to the defined benefit plan during the next financial year.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

Cash and cash equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their net asset values, which approximates to fair value, and classified as Level 1. The fair values of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

Equity securities

When available, the fair values of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and commingled funds that are not actively traded.

Debt securities

The fair values of debt securities are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 1 or Level 2. The nature of these debt securities includes instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 1 debt securities include corporate debt securities and government debt securities. Level 2 debt securities include commingled funds, asset-backed securities and emerging market securities.

Alternative investments

The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments includes instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (continued)

Defined benefit plans (continued)

Limited partnerships

The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long term nature of such assets and is classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilising available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments, with adjustments for investment-specific issues, the lack of liquidity and other items.

Defined contribution plans

The Group's qualifying employees in Hong Kong participate in the MPF scheme in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in fund under the control of trustee. Under the MPF scheme in Hong Kong, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme are vested immediately.

The employees of the Group's China subsidiaries are members of the state-managed retirement benefits scheme operated by the China government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The Group has defined contribution plans (401(K) plans) covering substantially all U.S. employees. The Group's contributions to the plans are primarily based on each contribution and cannot exceed the maximum allowable for tax purposes.

The amount charged to profit or loss of approximately US$76 million during the year ended December 31, 2020 (2019: US$96 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

34. BUSINESS COMBINATIONS

For the year ended December 31, 2020

Acquisition of Edelmann Provision Company Inc.

On October 30, 2020, the Group acquired from an independent third party the entire equity interest in Edelmann Provision Company Inc. ("Edelmann Provision"). The acquisition was made as part of the Group's strategy to increase profitability in branded packaged meats and strengthen their leading position in the packaged meats market in the U.S..

The fair values of the identifiable assets and liabilities of Edelmann Provision as at the date of acquisition were as follows:

	Fair value recognised on acquisition US$'million
Property, plant and equipment	3
Intangible assets	32
Inventories	4
Trade and bills receivables	7
Prepayments, other receivables and other assets	2
Cash and bank balances	3
Trade payables	(2)
Accrued expenses and other payables	(3)
Other liabilities	(3)
Total identifiable net assets at fair value	43
Goodwill	31
Satisfied by cash	74

The Group incurred transaction costs of less than US$1 million for the acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

34. BUSINESS COMBINATIONS (continued)

For the year ended December 31, 2020 (continued)

Acquisition of Edelmann Provision Company Inc. (continued)

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

	US$'million
Cash consideration	(74)
Cash and bank balances acquired	3
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(71)
Transaction costs paid during the year included in cash flows from operating activities	—*
	(71)

Since the acquisition, Edelmann Provision contributed US$15 million to the Group's revenue and US$2 million to the consolidated profit before tax for the year ended December 31, 2020.

The revenue and profit of the Group for the year ended December 31, 2020 would remain materially unchanged if the acquisition of Edelmann Provision had taken place at the beginning of the year.

For the year ended December 31, 2019

Step acquisition of Pini Polonia sp. z o.o.

On May 28, 2019, the Group satisfied all conditions precedent under the share purchase agreement for the acquisition of 66.5% equity interest of Pini Polonia sp. z o.o. ("Pini Polonia"). Along with the 33.5% equity interest acquired on July 28, 2017, Pini Polonia became a wholly-owned subsidiary of the Group. The results of Pini Polonia are consolidated into the Group's financial statements commencing from the acquisition date (i.e., May 28, 2019).

The Group accordingly remeasured the fair value of its pre-existing interest in Pini Polonia at the date of acquisition and recognised the resulting loss of less than US$1 million on the remeasurement of the Group's pre-existing interest in Pini Polonia to the acquisition date fair value.

* Less than US$1 million.

34. BUSINESS COMBINATIONS (continued)

For the year ended December 31, 2019 (continued)

Step acquisition of Pini Polonia sp. z o.o. (continued)

Details of the carrying value and fair value of the Group's pre-existing interest in Pini Polonia at the date of acquisition are summarised as follows:

	US$'million
Share of net assets	84
Less: Fair value of pre-existing interest	(84)
Loss on remeasurement	—*

The fair values of the identifiable assets and liabilities of Pini Polonia as at the date of acquisition were as follows:

	Fair value recognised on acquisition US$'million
Property, plant and equipment	102
Inventories	9
Trade and bills receivables	72
Prepayments, other receivables and other assets	—*
Cash and bank balances	1
Other non-current assets	44
Trade payables	(65)
Accrued expenses and other payables	(2)
Deferred tax liabilities	(14)
Borrowings and other loans	(13)
Lease liabilities	(3)
Other liabilities	(49)
Total identifiable net assets at fair value	82
Goodwill	114
	196
Satisfied by:	
Cash	112
Fair value of pre-existing interest	84
	196

* Less than US$1 million.

34. BUSINESS COMBINATIONS (continued)

For the year ended December 31, 2019 (continued)

Step acquisition of Pini Polonia sp. z o.o. (continued)

The Group incurred transaction costs of US$2 million for the acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss for the year ended December 31, 2019.

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

	US$'million
Cash consideration	(112)
Cash and bank balances acquired	1
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(111)
Transaction costs paid during the year included in cash flows from operating activities	(2)
	(113)

Since the completion of the acquisition, Pini Polonia contributed US$167 million to the Group's revenue and US$6 million loss to the consolidated profit before tax for the year ended December 31, 2019.

Had the acquisition of Pini Polonia taken place at the beginning of the year, the revenue and the consolidated profit before tax of the Group would have been US$24,307 million and US$2,048 million, respectively.

During the year ended December 31, 2020, purchase accounting adjustment with an increase of US$3 million to goodwill was made by the Group upon finalisation of the purchase price allocation of the acquisition of Pini Polonia. The directors of the Company consider the adjustment is insignificant to the consolidated statement of financial position, and as such, did not retrospectively apply the adjustment to restate the balances as at December 31, 2019.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$139 million and US$129 million, respectively (2019: US$190 million and US$180 million).

On December 30, 2019, the Group contributed certain biogas operations to its joint venture, Align RNG, LLC ("Align"). The transaction resulted in a gain of US$42 million, which represented the difference between the fair value of the equity interests received from Align and the net book value of the biogas operations contributed.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Dividend payables US$'million	Lease liabilities US$'million	Borrowings and other loans US$'million
At January 1, 2019	10	386	3,078
Changes from financing cash flows	(464)	(116)	3
New leases	—	180	—
Interest expense	—	18	—*
Acquisition of subsidiaries (Note 34)	—	3	13
Dividends declared	472	—	—
Currency realignment	(—*)	(6)	(2)
At December 31, 2019 and January 1, 2020	**18**	**465**	**3,092**
Changes from financing cash flows	**(845)**	**(132)**	**(514)**
New leases	**—**	**129**	**—**
Interest expense	**—**	**20**	**—***
Interest paid	**—**	**(20)**	**—**
Termination	**—**	**(22)**	**—**
Remeasurement	**—**	**30**	**—**
Dividends declared	**837**	**—**	**—**
Currency realignment	**4**	**6**	**58**
At December 31, 2020	**14**	**476**	**2,636**

(c) Total cash (inflow) outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 US$'million	2019 US$'million
Within operating activities	**134**	87
Within investing activities	**13**	(24)
Within financing activities	**132**	116
	279	179

* Less than US$1 million.

36. SHARE CAPITAL

	Number of shares 'million	Amount US$'million
Ordinary shares of US$0.0001 each:		
Authorised:		
At January 1, 2019, December 31, 2019, January 1, 2020, and December 31, 2020	50,000.00	5
Issued and fully paid:		
At January 1, 2019	14,675.48	1
Issue of shares on exercise of share options (Note)	45.27	—*
At December 31, 2019 and January 1, 2020	14,720.75	1
Issue of shares on exercise of share options (Note)	24.46	—*
At December 31, 2020	14,745.21	1

Note:

The share options exercised during the years are under the pre-IPO share option scheme.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30, net of cash and cash equivalents and total equity. As at December 31, 2020, the Group's net debt to equity ratio was 9.9% (2019: 26.9%).

* Less than US$1 million.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

Financial assets

As at December 31, 2020

Asset categories	Financial assets at fair value through profit or loss* US$'million	Financial assets at amortised cost US$'million	Total US$'million
Unlisted equity investments	10	—	10
Unlisted financial products	882	—	882
Derivative financial assets	80	—	80
Other non-current assets	161	—	161
Trade, bills and other receivables and other assets	20	1,091	1,111
Pledged/restricted bank deposits	—	62	62
Cash and bank balances	—	1,599	1,599
Total	1,153	2,752	3,905

As at December 31, 2019

Asset categories	Financial assets at fair value through profit or loss* US$'million	Financial assets at amortised cost US$'million	Total US$'million
Unlisted equity investments	10	—	10
Unlisted financial products	447	—	447
Derivative financial assets	74	—	74
Other non-current assets	145	—	145
Trade, bills and other receivables and other assets	15	1,202	1,217
Pledged/restricted bank deposits	—	45	45
Cash and bank balances	—	552	552
Total	691	1,799	2,490

* The financial assets at fair value through profit or loss are mandatorily measured at FVPL.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Financial liabilities

	2020 US$'million	2019 US$'million
At amortised costs:		
Trade and other payables	1,099	1,327
Lease liabilities	476	465
Borrowings (fixed and floating rates)	2,636	3,092
Bank overdrafts	46	—
	4,257	4,884
At fair value through profit or loss:		
Derivative financial liabilities	16	35

Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, cash and bank balances, financial assets at FVPL, derivative financial instruments, trade, bills and other receivables, other non-current assets, trade and other payables, lease liabilities, obligation under finance leases, borrowings and bank overdrafts. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

Certain group entities have certain foreign currency sales, purchases, cash and bank balances and borrowings denominated in US$, EUR, HK$, RMB and JPY, which expose the Group to foreign currency risk at these individual group entities level. In order to mitigate the foreign currency risks, foreign currency forward contracts are entered into by the Group for certain material foreign currency transactions. The critical terms of these foreign currency forward contracts are similar to those of the hedged payments and receipts denominated in foreign currencies. These foreign currency forward contracts are designated as hedging instruments and hedge accounting is applied as the contracts are considered highly effective hedging items. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2020 US$'million	2019 US$'million
Assets		
US$		
Cash and bank balances	**15**	36
Trade, bills and other receivables	**2**	19
EUR		
Cash and bank balances	**1**	3
Trade, bills and other receivables	**11**	32
RMB		
Trade, bills and other receivables	**8**	101
JPY		
Trade, bills and other receivables	**8**	60
Liabilities		
US$		
Trade and other payables	**18**	39
Borrowings	**1**	1
EUR		
Trade and other payables	**20**	26
Borrowings	**2**	2
HK$		
Borrowings	**—**	50
RMB		
Trade and other payables	**—**	15

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

Sensitivity analysis

The Group is mainly exposed to the effect of US$ against the functional currencies of the respective group entities, except for HK$ as it is pegged to the US$.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in US$ against functional currencies of the respective group entities which represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to the functional currencies of the respective group entities at the year end for a 5% (2019: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where US$ strengthens 5% (2019: 5%) against the relevant currency.

	2020 US$'million	2019 US$'million
US$ impact	—*	6

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the respective year.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its financial assets at FVPL and fixed-rate borrowings (see notes 25 and 30 respectively for details). The Group currently does not enter into any derivative contracts to hedge its exposure to changes in fair values of financial assets at FVPL, fixed-rate borrowings and finance leases. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to floating rates bank balances, borrowings and bank overdrafts (see notes 27 and 30 respectively for details). The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rates borrowings, bank overdrafts and bank balances, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used for sensitivity analysis which represents management's assessment of the reasonably possible change in interest rates.

* Less than US$1 million.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Interest rate risk management (continued)

Sensitivity analysis (continued)

If interest rates decreased by 25 basis points and all other variables were held constant, the potential effect on post-tax profit is as follows:

	2020 US$'million	2019 US$'million
Increase (decrease) in post-tax profit	3	—*

There would be an equal and opposite impact on the post-tax profit where the interest rates increased by 25 basis points and all other variables were held constant.

Credit risk management

The Group's credit risk is primarily attributable to its trade, bills and other receivables, bank balances and pledged bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties and arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade, bills and other receivables, with exposure spread over a large number of counterparties and customers.

Information about credit risk exposure on the Group's trade receivables using the provision matrix is disclosed in note 23 to the consolidated financial statements. As at December 31, 2020 and December 31, 2019, the loss allowance provision for pledged/restricted bank deposits, cash and bank balances, bills receivable and financial assets included in prepayments, other receivables and other assets was not material.

The ECLs for financial assets included in prepayments, other receivables and other assets are based on assumptions about the probability of default and the expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the ECLs calculations, based on the Group's historical loss record, current conditions as well as forward-looking information.

* Less than US$1 million.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'million	Stage 2 US$'million	Stage 3 US$'million	Simplified approach US$'million	Total US$'million
Trade and bills receivables	8	—	—	907	915
Financial assets included in prepayments, other receivables and other assets	176	—	—	—	176
Pledged deposits	62	—	—	—	62
Cash and bank balances	1,599	—	—	—	1,599
	1,845	—	—	907	2,752

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'million	Stage 2 US$'million	Stage 3 US$'million	Simplified approach US$'million	Total US$'million
Trade and bills receivables	9	—	—	1,038	1,047
Financial assets included in prepayments, other receivables and other assets	155	—	—	—	155
Pledged deposits	45	—	—	—	45
Cash and bank balances	552	—	—	—	552
	761	—	—	1,038	1,799

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the companies comprising the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2020, the Group has available unutilised banking facilities of approximately US$5,032 million (2019: US$2,874 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table also details the Group's analysis of its derivative financial instruments that settle on a net basis, based on their fair value recorded in liabilities as at the end of the reporting period.

	On demand and 1 year or less US$'million	1 to 2 years US$'million	2 to 5 years US$'million	More than 5 years US$'million	Total US$'million
At December 31, 2020					
Trade payables	**913**	**—**	**—**	**—**	**913**
Other payables	**121**	**65**	**—**	**—**	**186**
Lease liabilities	**120**	**147**	**95**	**224**	**586**
Bank overdrafts	**46**	**—**	**—**	**—**	**46**
Borrowings (fixed and floating rates)	**876**	**401**	**205**	**1,649**	**3,131**
	2,076	**613**	**300**	**1,873**	**4,862**
Derivative financial liabilities, net	**7**	**9**	**—**	**—**	**16**
At December 31, 2019					
Trade payables	1,074	—	—	—	1,074
Other payables	194	59	—	—	253
Lease liabilities	124	145	80	210	559
Borrowings (fixed and floating rates)	967	507	855	1,188	3,517
	2,359	711	935	1,398	5,403
Derivative financial liabilities, net	27	8	—	—	35

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair value measurement

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to the short term maturities of these instruments.

The fair values of non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and management has assessed that the fair values of non-current financial assets and financial liabilities approximate to their carrying amounts. The Group's own non-performance risk for non-current financial liabilities as at December 31, 2020 and December 31, 2019 was assessed to be insignificant.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Financial assets at fair value through profit or loss	—	10	882	892
Derivative financial assets	96	8	2	106
Other non-current assets	47	84	30	161
Financial assets included in prepayments, other receivables and other assets	—	20	—	20
	143	122	914	1,179
Derivative financial liabilities	29	2	10	41

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	2019			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Financial assets at fair value through profit or loss	—	10	447	457
Derivative financial assets	71	17	2	90
Other non-current assets	31	88	26	145
Financial assets included in prepayments, other receivables and other assets	—	15	—	15
	102	130	475	707
Derivative financial liabilities	18	26	7	51

Financial assets at FVPL included (a) unlisted investments in equity securities whose fair values are determined by income approach based on discounted cash flow analysis on the expected interest rates (Level 2), and (b) unlisted financial products whose fair values are determined based on significant unobservable inputs (Level 3) including expected rate of return of 1.5% to 4.1% (December 31, 2019: 3.7% to 4.1%).

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (Level 1) or using the income approach based on discounted cash flow analysis on the expected interest rates (Level 2), as appropriate.

Other non-current assets include mutual funds and institutional funds which are valued based on its quoted prices in active markets (Level 1) or derived from the net asset value per share of the investment (Level 3), as appropriate, and insurance contracts which are valued at their cash surrender value using the daily asset unit value which is based on the quoted market price of the underlying securities and classified within Level 2.

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the years ended December 31, 2020 and December 31, 2019.

Sensitivity analysis

The fair value of financial assets and financial liabilities that are classified as Level 3 is determined using valuation techniques including Monte Carlo simulation. In determining the fair value, specific valuation techniques are used with reference to inputs such as RMB risk-free interest rate, LIBOR and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact to the Group's profit or loss.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

Movements in fair value measurement within Level 3

The movements in fair value measurements within Level 3 during the years are as follows:

	Financial assets at fair value through profit or loss US$'million	Derivative financial instruments US$'million	Other non-current assets US$'million
At January 1, 2019	317	(3)	22
Total gain (loss) recognised in profit or loss included in other gains and (losses)	24	(2)	4
Total loss recognised in other comprehensive income	—	(—*)	—
Purchases	920	—	—
Disposals	(810)	—*	—
Currency realignment	(4)	—	—
At December 31, 2019 and January 1, 2020	**447**	**(5)**	**26**
Total gain recognised in profit or loss included in other gains and (losses)	**29**	**8**	**4**
Purchases	**2,049**	**—**	**—**
Disposals	**(1,695)**	**(11)**	**—**
Currency realignment	**52**	**—**	**—**
At December 31, 2020	**882**	**(8)**	**30**

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

* Less than US$1 million.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements

The disclosure set out in the tables below includes financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off the derivative financial instruments and the Group intends to settle these balances on a net basis.

As at December 31, 2020

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: Cash collateral received US$'million	Net amount US$'million
Derivatives	96	(10)	86	(45)	—	41

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged US$'million	Net amount US$'million
Derivatives	26	(10)	16	(16)	—	—

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements (continued)

As at December 31, 2019

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position		
				Financial collateral US$'million	Cash collateral received US$'million	Net amount US$'million
Derivatives	71	(16)	55	—	53	108

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position		
				Financial collateral US$'million	Cash collateral pledged US$'million	Net amount US$'million
Derivatives	16	(16)	—	—	—	—

38. SHARE INCENTIVE SCHEMES

(a) 2010 Share Award Plan

The Company's share award plan (the "2010 Share Award Plan") was adopted pursuant to a resolution in writing of all shareholders of the Company dated November 26, 2010 (the "Resolutions"). As a result of the completion of the reorganisation steps as described and approved in the Resolutions on December 26, 2013, 631,580,000 shares of the Company (the "Incentive Shares"), representing 6% of the then issued shares of the Company were transferred from Shine D Holding Limited, one of the shareholders of the Company, to Chang Yun Holdings Limited ("Chang Yun") for the senior management of the Company and its subsidiaries and invested entities pursuant to the 2010 Share Award Plan. The Resolutions also approved the engagement of Tricor Services Limited by the Company to provide trustee services for the 2010 Share Award Plan and Teeroy Limited has been designated by Tricor Services Limited to act as trustee for the 2010 Share Award Plan (the "Trustee"). The voting rights in respect of the Incentive Shares held by Chang Yun will be exercised in accordance with the direction to be given by Heroic Zone, one of the shareholders of the Company.

38. SHARE INCENTIVE SCHEMES (continued)

(a) 2010 Share Award Plan (continued)

If, at the date of termination of the 2010 Share Award Plan, Chang Yun holds any Incentive Shares which have not been set aside pursuant to the terms of the 2010 Share Award Plan in favour of any selected employee of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2010 Share Award Plan, all the Incentive Shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2010 Share Award Plan, shall become vested on such selected employee and any Incentive Shares which are not vested in accordance with the terms of the 2010 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Chang Yun was hereby regarded as a special purpose entity of the Company and consolidated to the Group accordingly.

The 2010 Share Award Plan was amended pursuant to a resolution in writing of all directors dated February 9, 2012 and the assessment period for vesting the Incentive Shares was set to be 2012 to 2014. All shares under the 2010 Share Award Plan have been transferred to selected employees during the year ended December 31, 2019. The 2010 Share Award Plan was terminated on December 23, 2019 upon determination by the board of directors.

Details of the 2010 Share Award Plan are as follows:

Number of shares	631,580,000 (subject to the lock-up period of 5 years and voting right shall be retained by Heroic Zone, the immediate holding company of the Company, thereafter)
Grant date	December 26, 2012
Vesting condition	Performance target for each year from 2012 to 2014

The management of the Company considers that the vesting condition on performance target is achieved and all Incentive Shares was transferred from the Trustee. The estimated fair value of the Incentive Shares as at grant date amounting to US$128 million had been recognised in profit or loss during the vesting period. It was determined by market approach.

(b) 2013 Share Award Plan

The Company had adopted another share award plan (the "2013 Share Award Plan") pursuant to a written resolution of all the Company's shareholders in October 2013, representing 3.0% of the then issued shares of the Company at the time of issuance pursuant to the 2013 Share Award Plan held by High Zenith Limited ("High Zenith") for the recognition and reward to the contribution of certain employees and the growth and development of the Group. The resolution also approved the Trustee by the Company to provide trustee services for the 2013 Share Award Plan. The voting rights in respect of the shares held by High Zenith will be exercised in accordance with the direction to be given by Heroic Zone.

38. SHARE INCENTIVE SCHEMES (continued)

(b) 2013 Share Award Plan (continued)

If, at the date of termination of the 2013 Share Award Plan, High Zenith holds any shares which have not been set aside pursuant to the terms of the 2013 Share Award Plan in favour of any selected employees of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2013 Share Award Plan, all the shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2013 Share Award Plan, shall become vested on such selected employee and any shares which are not vested in accordance with the terms of the 2013 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. High Zenith was hereby regarded as a special purpose entity of the Group accordingly.

On October 23, 2013, 350,877,333 newly issued shares of US$0.0001 each were allotted to High Zenith pursuant to the 2013 Share Award Plan as set out above.

Mr. Wan Long was granted 350,877,333 shares (the "Awarded Shares") under the 2013 Share Award Plan on April 28, 2017, subject to the terms and conditions set out in the relevant award notice and under the rules of the 2013 Share Award Plan (the "Award").

The management of the Company considers that the vesting condition on the attainment of financial target for 2017 has been achieved. The estimated fair value of the Awarded Shares as at the grant date amounting to US$278 million was recognised in profit or loss for the year ended December 31, 2017. All shares under the 2013 Share Award Plan have been transferred to Mr. Wan Long during the year ended December 31, 2019. The 2013 Share Award Plan was terminated on June 28, 2019 upon determination by the board of directors.

The fair value of the Awarded Shares was determined by the market approach by Jones Lang LaSalle Corporate Appraisal and Advisory Limited at the grant date.

(c) Pre-IPO share option scheme

The pre-IPO share option scheme was adopted pursuant to a written resolution passed by the shareholders of the Company on January 21, 2014 as amended on April 4, 2014, the purpose of which is to incentivise and reward eligible participants of the scheme, including directors and employees of the Company or its subsidiaries by reason of their contribution or potential contribution to the Company and/or any of its subsidiaries.

In July 2014, the number of shares in respect of which options had been granted under the pre-IPO share option scheme was 584,795,555, with an exercise price of HK$6.20 per share, representing no more than 5% of the then issued share capital of the Company upon completion of the listing on the Stock Exchange. No consideration was paid by the grantees for the grant of the pre-IPO share options.

The fair value of the pre-IPO share options granted using the Binomial Option Pricing Model was HK$1,883 million (equivalent to approximately US$243 million), which was measured by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

38. SHARE INCENTIVE SCHEMES (continued)

(c) Pre-IPO share option scheme (continued)

The key inputs into the model were as follows:

Share price	HK$6.66
Exercise price	HK$6.20
Option life	10 years
Expected volatility	42%
Risk-free rate	2.06%

The expected volatility was determined by using the historical volatility of the selected comparable companies in the same industry.

The following table discloses details of the Group's outstanding share options under the pre-IPO share option scheme and their movements during the year:

Option type	Date of grant	As at January 1, 2019	Exercised	Cancelled	Lapsed	As at December 31, 2019	Exercised	Cancelled	Lapsed	As at December 31,2020
Pre-IPO share option scheme	July 10, 2014	518,676,886	45,265,647	4,867,646	5,638,324	462,905,269	24,464,584	—	708,138	437,732,547
Exercisable at the end of the year						462,905,269				437,732,547

In respect of the share options exercised during the year, the average share price at the dates of exercise was HK$7.06 (2019: HK$7.60).

For the year ended December 31, 2020, no share-based payment expense was recognised (2019: US$8 million) in relation to the pre-IPO share option scheme.

39. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 US$'million	2019 US$'million
Contracted, but not provided for:		
Capital contribution to a joint venture	**165**	165
Acquisition of property, plant and equipment	**305**	66
Properties under development	**—**	14

40. PLEDGE OF ASSETS

	2020 US$'million	2019 US$'million
Pledged bank balances	9	16

As at December 31, 2020 and December 31, 2019, certain of the Group's principal U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under certain banking facilities.

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of the Group, has a securitisation facility that matures in November 2021. As part of the arrangement, certain trade receivables are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the consolidated statements of financial position of the Group. However, the trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield if Smithfield was to become insolvent. As at December 31, 2020, the SPV held US$567 million (2019: US$651 million) of trade receivables and had outstanding borrowings of US$107 million (2019: US$83 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at December 31, 2020 and December 31, 2019.

41. REGULATIONS AND CONTINGENCIES

The Group is subject to various laws and regulations administered by jurisdictional government entities. The Group had notices and inquiries from regulatory authorities and others asserting from time to time that the Group is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against the Group.

North Carolina Nuisance Litigation

The litigation stem from requests for pre-litigation mediations of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. In August, September and October 2014, 25 complaints were filed in the United States District Court for the Eastern District of North Carolina by 515 individual plaintiffs against the Group's wholly owned subsidiary, Murphy-Brown LLC ("Murphy-Brown"), alleging causes of action for nuisance and related claims. Subsequent to this initial filing, certain plaintiffs joined the complaints and in response Murphy Brown has filed its answers and affirmative defense, all the complaints were amended pursuant to the Court's order and some plaintiffs dismissed their claims during the process of discovery.

By December 2017, there were 26 currently pending complaints which included claims on behalf of 511 plaintiffs and relate to approximately 14 company-owned and 75 contract farms. All 26 complaints include causes of action for temporary nuisance and negligence and seek recovery of an unspecified amount of compensatory, special and punitive damages. An order was issued by the United States District Court for the Eastern District of North Carolina setting a date for the first trial, April 2, 2018, and establishing the protocol for all subsequent trials. These trials related to 5 of the 26 complaints and were held during 2018 and 2019.

In November 2020, the Fourth Circuit published its opinion with reference to the Fourth Circuit's opinion and, pursuant to a settlement agreement, the Group settled the litigation and made the final payment of the settlement in the first quarter of 2021. All amounts were fully accrued at the end of the reporting period.

41. REGULATIONS AND CONTINGENCIES (continued)

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in note 3 to the financial statements. The Group established a reserve for the estimated expenses to defend against these and similar potential claims, which was subsequently re-evaluated.

Expenses and other liabilities associated with these claims will not affect the Group's profits or losses in future periods unless the provision proves to be insufficient or excessive. However, legal expenses incurred in the Group's defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact its cash flows and its liquidity position. The directors of the Company will continue to evaluate and adjust the provision as necessary upon changes in facts and circumstances.

42. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with associates/joint ventures during the years:

	2020 **US$'million**	2019 US$'million
Sales of goods to associates	**16**	6
Sales of goods to joint ventures	**13**	15
Purchase of goods and services from associates	**223**	40
Purchase of goods from joint ventures	**28**	20

(b) Balances with associates/joint ventures at the end of the reporting period:

	2020 **US$'million**	2019 US$'million
Included in:		
Trade and bills receivables	**1**	—*
Prepayments, other receivables and other assets	**4**	18
Trade payables	**9**	—*
Accrued expenses and other payables	**—**	15

Note:

The amounts due to associates/joint ventures are unsecured, interest-free and repayable on demand as December 31, 2020 and December 31, 2019, except for the amounts included in prepayments, other receivables and other assets as at December 31, 2019 which are interest-bearing at LIBOR+4%.

* Less than US$1 million.

42. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

The remuneration of key management personnel, representing emoluments of directors of the Company and senior management of the Group paid/payable during the period under review is set out below:

	Year ended December 31, 2020 US$'million	2019 US$'million
Directors' fees	—*	—*
Basic salaries and allowances	7	9
Performance bonuses	5	26
Termination Benefits	2	—
Retirement benefit scheme contributions	—*	—*
Share-based payments	—	4
Total compensation paid to key management personnel	14	39

* Less than US$1 million.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 US$'million	2019 US$'million
NON-CURRENT ASSETS		
Interests in unlisted subsidiaries	5,139	5,145
CURRENT ASSETS		
Amounts due from subsidiaries	84	127
Prepayments, other receivables and other assets	1	—*
Cash and bank balances	—*	2
	85	129
CURRENT LIABILITIES		
Amounts due to subsidiaries	319	337
Other payables	2	2
	321	339
NET CURRENT LIABILITIES	(236)	(210)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,903	4,935
NET ASSETS	4,903	4,935
CAPITAL AND RESERVES		
Share capital (Note 36)	1	1
Share premium	3,011	2,982
Translation reserve	61	61
Other reserve	221	231
Retained profits	1,609	1,660
TOTAL EQUITY	4,903	4,935

* Less than US$1 million.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movements in the Company's reserves

	Share capital US$'million	Share premium US$'million	Translation reserve US$'million	Other reserve US$'million (note)	Retained profits US$'million	Total US$'million
At January 1, 2019	1	2,934	61	1,213	689	4,898
Profit and total comprehensive income for the year	—	—	—	—	373	373
Dividend (Note 12)	—	—	—	—	(375)	(375)
Share-based payments	—	—	—	8	—	8
Termination of share award plan	—	—	—	(973)	973	—
Issue of shares upon exercise of share options	—*	48	—	(17)	—	31
	—*	48	—	(982)	971	37
At December 31, 2019 and January 1, 2020	**1**	**2,982**	**61**	**231**	**1,660**	**4,935**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**548**	**548**
Dividend (Note 12)	**—**	**—**	**—**	**—**	**(599)**	**(599)**
Issue of shares upon exercise of share options	**—***	**29**	**—**	**(10)**	**—**	**19**
	—*	**29**	**—**	**(10)**	**(51)**	**(32)**
At December 31, 2020	**1**	**3,011**	**61**	**221**	**1,609**	**4,903**

* Less than US$1 million

Note:

Other reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests at the end of the reporting period:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
				US$'million	US$'million	**US$'million**	US$'million
河南雙滙投資發展股份有限公司 Henan Shuanghui Investment & Development Co., Ltd. ("Shuanghui Development")	China	**29.67%**	26.59%	**245**	220	**964**	755
Individually immaterial subsidiaries with non-controlling interests				**19**	10	**16**	13
				264	230	**980**	768

Summarised financial information in respect of Shuanghui Development that has material non-controlling interests is set out below. The summarised financial information below represents the amounts before intragroup eliminations.

	As at December 31,	
	2020	2019
	US$'million	US$'million
Non-current assets	**1,950**	1,774
Current assets	**3,406**	2,342
Current liabilities	**(1,536)**	(1,619)
Non-current liabilities	**(117)**	(46)
Equity attributable to owners of Shuanghui Development	**(3,650)**	(2,365)
Non-controlling interests of Shuanghui Development's subsidiaries	**53**	86
Non-controlling interests of Shuanghui Development	**911**	669
	964	755

44. NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (continued)

	Year ended December 31, 2020 US$'million	2019 US$'million
Revenue	10,652	8,693
Total expenses	(9,729)	(7,879)
Profit for the year	923	814
Other comprehensive income	—	—*
Total comprehensive income for the year	923	814
Profit attributable to owners of the Company	677	594
Profit attributable to the non-controlling interests of Shuanghui Development's subsidiaries	2	5
Profit attributable to the non-controlling interests of Shuanghui Development	244	215
	923	814
Dividends paid to non-controlling interests of Shuanghui Development's subsidiaries	17	18
Net cash inflow from operating activities	1,289	631
Net cash outflow from investing activities	(533)	(198)
Net cash outflow from financing activities	(34)	(337)
Net cash inflow	722	96

* Less than US$1 million.

45. OTHER COMPREHENSIVE INCOME (EXPENSE)

Other reserve included the fair value of the share options, remeasurement deficit of the defined benefit pension plans and fair value surplus in cash flow hedge attributable to the Group.

	2020 **US$'million**	2019 US$'million
Other comprehensive income (expense) includes:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement on defined benefit pension plans	**(121)**	(192)
Income tax relating to defined benefit pension plans	**31**	49
	(90)	(143)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**312**	(51)
Fair value change in cash flow hedge	**42**	29
Income tax relating to cash flow hedge	**(11)**	(14)
	343	(36)
Other comprehensive income (expense), net of income tax	**253**	(179)

46. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2020 and December 31, 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment/operation	Issued and fully paid share capital/registered capital	Attributable proportion of issued/registered capital held by the Company Indirectly		Principal activities
			2020	2019	
Rotary Vortex Limited	Hong Kong	Ordinary shares HK$33,883,520,411 (2019: HK$33,883,520,411)	100%	100%	Investment holding and trading
Shuanghui Development (Note 1)	China	Shares RMB3,464,661,213 (2019: RMB3,319,282,190)	70.33%	73.41%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of packaging materials and meat products
Smithfield	U.S.	Note 2	100%	100%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of meat products

Note 1: This company is listed on the A-Shares Market of the Shenzhen Stock Exchange and registered as a limited liability company under the Law of the People's Republic of China.

Note 2: The par value of the common shares of this subsidiary is zero.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the consolidated net assets. To give details of all the subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

FIVE YEAR SUMMARY

As of and for the Year Ended December 31 US$ million (unless otherwise stated)	**2020**	2019	2018	2017	2016
Key financial data					
Revenue	**25,589**	24,103	22,605	22,379	21,534
Revenue growth rate (%)	**6.2%**	6.6%	1.0%	3.9%	1.5%
Operating profit	**1,729**	2,031	1,650	1,583	1,788
Operating profit margin (%)	**6.8%**	8.4%	7.3%	7.1%	8.3%
Profit before taxation	**1,315**	2,052	1,411	1,501	1,703
Taxation	**(223)**	(357)	(258)	(182)	(465)
Profit for the year	**1,092**	1,695	1,153	1,319	1,238
Profit for the year attributable to:					
— owners of the Company	**828**	1,465	943	1,133	1,036
— non-controlling interests	**264**	230	210	186	202
	1,092	1,695	1,153	1,319	1,238
Profit attributable to owners of the Company, before biological fair value adjustments	**973**	1,378	1,046	1,126	1,014
Basic earnings per share (US cents)	**5.62**	9.96	6.43	7.79	7.58
Total assets	**18,715**	17,282	15,298	15,258	13,611
Total liabilities	**(7,730)**	(7,830)	(6,880)	(7,036)	(6,573)
Net assets	**10,985**	9,452	8,418	8,222	7,038
Equity attributable to owners of the Company	**10,005**	8,684	7,746	7,445	6,316
Non-controlling interest	**980**	768	672	777	722
Total equity	**10,985**	9,452	8,418	8,222	7,038

GLOSSARY

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Company
"Auspicious Joy"	Auspicious Joy Enterprises Limited, a limited liability company incorporated under the laws of BVI on July 8, 2019
"Board"	the board of Directors of the Company
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chang Yun"	Chang Yun Holdings Limited (運昌控股有限公司) a limited liability company incorporated under the laws of the BVI on April 12, 2010 and one of the Controlling Shareholders
"Chang Yun Share Plan"	the share plan dated December 23, 2019, under which a group of existing and former employees of the Group hold 100% of the beneficial interests in Auspicious Joy, which in turn holds 100% of the equity interest in Chang Yun
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Code of Conduct"	the code of conduct regarding securities transactions by the Directors adopted by the Company
"Company"	WH Group Limited (萬洲國際有限公司), a limited liability company incorporated under the laws of the Cayman Islands the Shares of which are listing on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith and Sure Pass

"Director(s)"	the director(s) of the Company
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"EUR"	the Euro, the lawful currency of the member states of the European Union
"Fitch"	Fitch (Hong Kong) Limited or Fitch Ratings, Inc.
"Food Safety Committee"	the food safety committee of the Company
"GCM"	Granjas Carroll de Mexico S. de R.L. de C.V., a Mexican hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in GCM as a joint venture as of December 31, 2019
"Group", "our Group", "our", "we", "us" or "WH Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Heroic Zone"	Heroic Zone Investments Limited (雄域投資有限公司) a limited liability company incorporated under the laws of the BVI on July 23, 2007 and one of the Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated December 25, 2009, revised on December 17, 2012 and July 11, 2016 respectively, under which a group of existing and former employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on September 6, 2013 and one of the Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDR"	long-term foreign-currency issuer default rating
"IFRS"	International Financial Reporting Standards
"kg"	kilogram

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	August 5, 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MOA"	Ministry of Agriculture and Rural Affairs of the People's Republic of China
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Moody's"	Moody's Investor Service Limited
"Nomination Committee"	the nomination committee of the Company
"Norson"	Norson Holding, S. de R.L. de C.V., a Mexican meat products manufacturer and hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in Norson as a joint venture as of December 31, 2019
"PLN"	Polish Zloty, the lawful currency of the Republic of Poland
"pp"	percentage points
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on January 21, 2014 as amended on April 4, 2014, for the benefit of any Director, employee, adviser, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Directors' Report — Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Prospectus"	the prospectus of the Company in relation to the Listing dated July 24, 2014
"Remuneration Committee"	the remuneration committee of the Company
"Review Period"	the period from January 1, 2020 to December 31, 2020
"Rich Matrix"	Rich Matrix Global Limited (裕基環球有限公司), a limited liability company incorporated under the laws of the BVI on September 9, 2013

"Rise Grand"	Rise Grand Group Limited (興泰集團有限公司), a BVI Business Company incorporated under the laws of the BVI on July 3, 2007 and one of the Controlling Shareholders
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"RON"	Romanian Leu, the lawful currency of Romania
"Rotary Vortex"	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong on February 28, 2006 and an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on October 15, 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000895), and as the context may require, all or any of its subsidiaries
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd. (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRC on August 29, 1994 and an indirect wholly-owned subsidiary of the Company which ceased operation and was deregistered following the completion of the internal restructuring of the Group in September 2019

"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on July 25, 1997 and an indirect wholly-owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on September 25, 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USDA"	U.S. Department of Agriculture
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Tax Reform"	the enactment of the Tax Cuts and Jobs Act in U.S. on December 22, 2017

萬洲國際
WH GROUP

Unit 7602B-7604A, Level 76,
International Commerce Centre, 1 Austin Road West
Kowloon, Hong Kong

www.wh-group.com

双汇发展
SHUANGHUI DEVELOPMENT

Smithfield

This annual report is printed on environmental-friendly paper