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萬洲國際
WH GROUP

WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
Key operating data		
Packaged meats sold (thousand metric tons)	**1,614**	1,575
Pork sold (thousand metric tons)	**2,138**	1,942

	Six months ended 30 June			
	2021		2020	
	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)* (unaudited)**		*US$ million (unless otherwise stated)* (unaudited)	
Key financial data				
Revenue	**13,331**	**13,331**	12,481	12,481
EBITDA	**1,227**	**1,376**	1,236	930
Operating profit	**920**	**920**	925	925
Profit attributable to owners of the Company	**539**	**652**	550	317
Basic earnings per share (US cents)	**3.66**	**4.42**	3.73	2.15
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Sales volume of packaged meats and pork increased by 2.5% and 10.1% respectively
- Revenue increased by 6.8%
- Operating profit decreased by 0.5%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 2.0%

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Review Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY OVERVIEW

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

China

China is the largest pork producer and consumption market in the world. 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 standards. 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 during the Review Period was 337.42 million heads, 34.4% higher than 251.03 million heads for the six months ended 30 June 2020 (the "**Comparable Period**"). The total production of pork was 27.15 million tons, an increase of 35.9% as compared to 19.98 million tons in the Comparable Period. 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 the Review Period was RMB25.94 (approximately US$4.01) per kilogram ("**kg**"), a decrease of 23.6% as compared to that of the Comparable Period. The main driving factor of the above industrial trends was the declining impact of African Swine Fever ("**ASF**"). As supplies restored, hog prices experienced a continued decline during the Review Period.

The total volume of imported pork in the Review Period was 2.95 million tons according to the statistics of the General Administration of Customs of China. As the hog prices trended downwards, the period on period growth rate of import volume slowed down from nearly double in the Comparable Period to 4.5% in the Review Period. The key importing regions were the European Union (the "**EU**"), the U.S. and Brazil in descending order of volume.

U.S.

The U.S. is the second largest pork producing country worldwide. The entire industry 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. For the market dynamics in the Review Period and Comparable Period, they were also significantly impacted by the outbreak of coronavirus disease 2019 ("**COVID-19**") in the U.S. during 2020.

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 1.8% in the Review Period, in which pork rose 1.7%, beef rose 6.5% while chicken stayed flat. The increase in pork production was mainly due to COVID-19 disruptions such as plant closures and logistics challenges in the Comparable Period.

The average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.58 per kg in the Review Period, an significant increase of 66.3% over that of the Comparable Period due to robust demand. Domestic demand was supported by the recovery of consumer markets largely driven by government stimulus packages. Export demand remained steady at a relatively high level. According to the USDA, export volume of U.S. pork and offals increased by 0.6% to 1.48 million metric tons in the Review Period. Despite of different product preferences and favourable currency movements, U.S. exports to China reduced by 18.4% in the Review Period as price differentials narrowed substantially. On the other hand, exports to Mexico, Colombia and Japan increased considerably, which offset the decrease of exports to China.

For pork cut-out value, the average was up 38.6% in the Review Period, according to the USDA. As the degree of increase in hog prices largely exceeded the increase in pork values, the market dynamic was extremely unfavourable to processors whose margins were eroded by the contraction of price spread.

Europe

The EU is the world's second largest 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 largest exporter of pork and pork products globally. Therefore, its pork prices are highly sensitive to export conditions.

According to the latest statistics disclosed by the European Commission, average pork production of the member states of the EU increased by 4.8% in the first five months of 2021 over that of 2020 as disruptions brought by COVID-19 negatively affected production during the Comparable Period. Therefore, the average carcass price decreased by 13.8% to Euro 1.54 per kg in the Review Period. Meanwhile, total export volume of the EU increased by 20.7% in the first five months of 2021 over that of 2020 as supply deficits continued in countries which were under the challenge of ASF. Benefited from steady domestic and export demand, carcass prices bottomed out in the Review Period.

RESULTS OF OPERATIONS

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

	Six months ended 30 June		
	2021	2020	Change
	US$ million	*US$ million*	*%*
Revenue[1]			
— Packaged meats[2]	**6,464**	5,836	10.8%
— Pork[3]	**6,139**	6,136	0.0%
— Others[4]	**728**	509	43.0%
	13,331	12,481	6.8%
Operating profit (loss)			
— Packaged meats[2]	**816**	694	17.6%
— Pork[3]	**77**	266	(71.1%)
— Others[4],[5]	**27**	(35)	N/A
	920	925	(0.5%)

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 represent ancillary businesses other than packaged meats and pork.

(5) Others operating profit (loss) includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 48.5% (Comparable Period: 46.8%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 88.7% in the Review Period (Comparable Period: 75.0%).

Geographically, our operations in China contributed 40.9% and 57.0% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 41.8% and 59.5%). Contribution of our operations in the U.S. to the revenue and operating profit of the Group in the Review Period were 49.6% and 34.5% (Comparable Period: 49.0% and 29.8%), respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended 30 June		
	2021	2020	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**2,099**	1,971	6.5%
U.S.	**3,872**	3,407	13.6%
Europe	**493**	458	7.6%
	6,464	5,836	10.8%
Operating profit			
China	**408**	417	(2.2%)
U.S.	**358**	243	47.3%
Europe	**50**	34	47.1%
	816	694	17.6%

In the Review Period, our packaged meats sales volume increased by 2.5% to 1,614 thousand metric tons. In China, sales volume in the Review Period slightly increased by 0.3% as consumer market remained stable. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Sales volume in the U.S. increased by 4.3% during the Review Period due to recovery of food service and industrial demand. In Europe, our sales volume increased by 5.8% as we achieved solid growth in convenience and smoke categories as well as in traditional and export channels.

Revenue during the Review Period increased by 10.8% to US$6,464 million. Revenue in China increased by 6.5% mainly due to local currency appreciation. In the U.S., revenue increased by 13.6% as sales volume and prices were higher than that of the Comparable Period due to demand growth and upward pricing adjustments. In Europe, revenue in the Review Period was up 7.6% as a result of increase in sales volume and improvement of product mix.

Operating profit was US$816 million in the Review Period, an increase of 17.6% from that of the Comparable Period. In China, although primary raw material costs decreased due to post-ASF hog price correction, operating profit was 2.2% lower than that of the Comparable Period as costs of other ingredients, labour compensation and marketing expenses increased. In the U.S., operating profit in the Review Period grew notably by 47.3% primarily due to the reduction of COVID-19 related expenses and increase in sales, which countervailed the increase in raw material costs. In Europe, our operating profit increased significantly by 47.1% as compared to the Comparable Period as raw material costs decreased in light of the lower hog prices.

Pork

	Six months ended 30 June		
	2021	2020	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**2,871**	2,907	(1.2%)
U.S.	**2,695**	2,712	(0.6%)
Europe	**573**	517	10.8%
	6,139	6,136	0.0%
Operating profit (loss)			
China	**68**	100	(32.0%)
U.S.	**(17)**	96	N/A
Europe	**26**	70	(62.9%)
	77	266	(71.1%)

Total number of hogs processed in the Review Period was 25,341 thousand heads, an increase of 13.1% over that of the Comparable Period. In China, the number of hogs processed significantly increased by 53.8% to 5,037 thousand heads as supplies progressively recovered from ASF and consumer demand was supported by lower pork prices. Our processing volume in the U.S. increased by 4.0% as capacity utilisation was hindered in the Comparable Period due to pandemic. In Europe, the number of hogs processed in the Review Period increased by 16.7% as we ramped up the capacity that was acquired recently. External sales volume of pork was 2,138 thousand metric tons, 10.1% higher than the level of the Comparable Period. The increase was derived from our growth of business in all operating regions.

Pork revenue in the Review Period remained consistent with the Comparable Period. In China, revenue decreased by 1.2% as the impact of decrease in pork prices surpassed the increase in sales volume. In the U.S., revenue slightly decreased by 0.6% as the reduction in hedging revenue on forward sales of hogs was largely offset by the increase in sales volume and prices. In Europe, revenue increased by 10.8% as sales volume expanded although sales prices were unfavourable.

Our operating profit of pork decreased significantly by 71.1% to US$77 million in the Review Period. In China, operating profit decreased by 32.0%. Although our scale of slaughtering benefited from the decrease in hog prices during the Review Period, we recorded a write down of inventories based on the prevailing market prices at the end of the Review Period. Besides, the contributions from release of inventories and sale of imported pork reduced as compared to the Comparable Period. In the U.S., we made an operating loss of US$17 million in the Review Period (Comparable Period: operating profit of US$96 million). The loss was mainly attributable to processing as hog costs rose faster than meat values and labour shortages lowered production efficiency. The negative impact of these two factors outweighed the reduction in COVID-19 related expenses. In contrast, hog prices were low and spread between prices of hog and pork was relatively extensive in spite of many COVID-19 challenges in the Comparable Period. In Europe, operating profit decreased significantly by 62.9% in the Review Period as rising grain prices increased our hog raising costs, but pork prices decreased due to ASF.

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 Review Period, revenue generated by our other businesses amounted to US$728 million, an increase of 43.0% as compared to that of the Comparable Period. 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 88.69 million heads of broiler, goose and turkey in the Review Period, which represented an increase of 17.2% from that of the Comparable Period. 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.

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 a strong level of liquidity. As at 30 June 2021, we had bank balances and cash of US$1,704 million (As at 31 December 2020: US$1,599 million), which were held primarily in Renminbi ("**RMB**"), U.S. Dollar ("**US$**"), 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 30 June 2021, the balance was US$532 million (As at 31 December 2020: US$882 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at 30 June 2021 (as at 31 December 2020: 1.9 times). The aggregate amount of unutilised banking facilities as at 30 June 2021 was US$5,635 million (as at 31 December 2020: US$5,032 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 the Review Period, our net cash from operating activities amounted to US$272 million (Comparable Period: US$1,219 million). The significant decrease in cash inflow was mainly caused by the increase in inventory and account receivables in particular in the U.S. as hog prices went up considerably during the Review Period. Our net cash from investing activities in the Review Period amounted to US$2 million (net cash used in Comparable Period: US$137 million). The change was mainly associated with the increase in the redemption of financial products upon maturity. Our net cash used in financing activities in the Review Period amounted to US$126 million (Comparable Period: US$176 million). The decrease in cash outflow was mainly due to the net increase in borrowings which exceeded the increase in dividends paid. After all, our net increase in cash and cash equivalents was US$148 million in the Review Period (Comparable Period: US$906 million).

Shares Buy-back Offer

On 6 June 2021, the Company announced that the Board resolved for a conditional voluntary cash offer to buy-back, subject to certain conditions, for cancellation up to the maximum number, being 1,916,937,202 shares, representing approximately 13.0% of the issued share capital (the "**Share Buy-back Offer**") of the Company at a cash consideration of HK$7.80 per share (the "**Offer Price**") to return capital to its shareholders and optimise its capital structure. The Share Buy-back Offer is expected to provide an opportunity for the shareholders either to tender shares to realise part of their investments in the Company at a premium to recent market prices and to the Group's net asset value per share, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the prospects of the Group. The Share Buy-back Offer, if accepted in full at the Offer Price, will result in the Company paying approximately HK$14,952 million, which is equivalent to approximately US$1,929 million, in cash in aggregate no later than 8 September 2021. Such payment will be funded by internal resources of the Group and a committed facility ("**Committed Facility**").

Major Financing Activities

On 21 May 2021, the Group entered into an agreement with certain banks on a committed revolver amounted to US$2,100 million due 2026 to replace an existing committed revolver amounted to US$1,750 million due 2023.

On 4 June 2021, the Group signed a facility agreement with certain banks on a Committed Facility in an aggregate amount of up to US$2,000 million for the sole purpose of the Share Buy-back Offer. The initial maturity of the Committed Facility is 2023 and is extendable for two years at the discretion of the Group pursuant to the terms of the facility agreement.

Debt Profile

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

	At 30 June 2021 US$ million	At 31 December 2020 US$ million
Borrowings by nature		
Senior unsecured notes	**2,069**	2,098
Bank borrowings	**780**	535
Loans from third parties	**3**	3
Bank overdrafts	**—**	46
	2,852	2,682
Borrowings by geographical region		
U.S.	**2,119**	2,098
China	**614**	538
Europe	**119**	46
	2,852	2,682

The Group's total principal amount of outstanding borrowings as at 30 June 2021 was US$2,876 million (As at 31 December 2020: US$2,706 million). The maturity profile is analysed as follows:

	As a % of total borrowings
In 2021	20%
In 2022	25%
In 2023	1%
In 2026	2%
In 2027	21%
In 2029	14%
In 2030	17%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 74.3% of our borrowings were denominated in US$ as at 30 June 2021 (as at 31 December 2020: 78.3%). The rest of our borrowings was denominated in RMB, PLN, GBP and Euro.

As at 30 June 2021, 99.8% of our borrowings were unsecured (As at 31 December 2020: 99.5%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Leverage Ratios

As at 30 June 2021, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 25.1% and 10.1%, respectively (as at 31 December 2020: 24.4% and 9.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA as at 30 June 2021, before biological fair value adjustments) were 1.3 times and 0.5 times, respectively (as at 31 December 2020: 1.2 times and 0.5 times, respectively).

Finance Costs

Our finance costs were US$68 million in the Review Period (Comparable Period: US$68 million).

As at 30 June 2021, the average interest rate of our total borrowings was 3.4% (as at 31 December 2020: 3.5%).

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.

HUMAN RESOURCES

We continue to focus on talent management and employee engagement. As at 30 June 2021, we had approximately 106 thousand employees in total, of which approximately 50 thousand employees were with our China operation, approximately 38 thousand and 18 thousand employees were with our U.S. and European operations respectively. The Group provides training programs to the employees with a view to constantly improve their skills and knowledge. It is also our policy to ensure that remuneration for employees, is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses in the Review Period amounted to US$1,934 million (Comparable Period: US$1,930 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonuses; and long term incentives such as retirement benefits schemes.

BIOLOGICAL ASSETS

As at 30 June 2021, we had a total of 13,043 thousand hogs, consisting of 11,976 thousand live hogs and 1,067 thousand breeding stock, an decrease of 3.1% from 13,463 thousand hogs as at 31 December 2020. We also had a total of 11,614 thousand poultry, consisting of 10,607 thousand broilers and 1,007 thousand breeding stock. The fair value of our biological assets was US$1,317 million as at 30 June 2021, as compared to US$1,182 million as at 31 December 2020.

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

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$111 million, as compared to a loss in the amount of US$232 million in the Comparable Period.

KEY INVESTMENT INTERESTS

Acquisition of Subsidiaries

On 17 June 2021, the Group completed 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 specialised 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. It is expected that the acquisition of Mecom Group would bring synergies between our operating entities in Europe and 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 Review Period, Align fully completed the construction of its operating plant and Monarch completed two additional projects for a total of eight 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 is a main producer of hogs in the country and participates in hogs processing. Norson is an integrated hog producers and processors. In the Review Period, the Group's share of profit from the two Mexican joint ventures was US$14 million (Comparable Period: US$2 million). At the end of the Review Period, GCM and Norson had in aggregate approximately 155 thousand sows and owned processing facilities with an annual production capacity of 2.6 million hogs.

To further expand our business in Mexico, the Group signed a shareholders agreement with the joint venture partner of GCM to increase our equity interest in GCM from 50% to 66%. The transaction was completed on 7 July 2021. Since then, the Group consolidates the capacity of GCM including the production of 1.7 million heads and processing of approximately 1.2 million heads of hogs per annum. 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.

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.

Capital expenditures amounted to US$321 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended 30 June	
	2021	2020
	US$ million	*US$ million*
China	**215**	59
U.S.	**78**	144
Europe	**28**	31
	321	234

During the Review Period, our capital expenditures in China were mainly for the establishment of two vertically integrated poultry production facilities and one hog raising facility, the construction of a new office building at our regional headquarters in Henan as well as certain upgrade projects in hog processing and packaged meats production. Most of these capital expenditures were funded by the proceeds raised from a non-public issuance of new A shares of a non-wholly owned subsidiary of the Group, Shuanghui Investment & Development Co. Ltd., in October 2020. Our capital expenditures in the U.S. were primarily related to the modernisation of our processing plants and expansion of our value-added packaged meats production capacity. Our capital expenditures in Europe were mainly for plant expansion and improvement projects.

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

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, and, to a lesser degree, sales of hogs to third parties. Significant price fluctuations in these commodities affect our results.

In China, we mitigate the effects of price fluctuations through strategic inventory management, effective transfer of raw material prices to end customers and overseas imports. 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, bank balances and cash and borrowings denominated in currencies other than their functional currencies. We monitor our foreign exchange exposure at any time and hedge significant exposure should the need arise.

Our borrowings carry fixed or floating interest rates. As at 30 June 2021, approximately 94.2% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at 31 December 2020: 98.6%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

CONTINGENT LIABILITIES

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relation to compliance from time to time. In some instances, litigation ensues or individuals may initiate litigation against the Group.

As disclosed in our announcement on 1 July 2021, Smithfield has been named as one of 16 defendant pork producers in a series of purported class actions filed by three groups of plaintiffs, alleging antitrust violations in the pork industry starting in 2009 and continuing through at least June 2018 for agreeing to reduce the supply of hogs in the U.S. to raise the price of hogs and all pork products. Smithfield was also named as a defendant in similar antitrust lawsuits brought by a number of individual purchasers and not on behalf of a class. These plaintiffs seek treble damages, attorneys' fees, and costs under various antitrust laws and consumer-protection statutes of the U.S. (the "**Anti-trust Litigations**"). Under an agreement dated 29 June 2021, Smithfield has agreed to settle all class claims by the direct purchaser group for a single payment of US$83 million to reduce exposure of the Group. The settlement terms are subject to the approval from federal court. The Group intends to continue to vigorously defend against the remaining Anti-trust Litigations and will assess alternatives to resolve the Anti-trust Ligations which is going to be in the best interests of the Company and its shareholders.

Details and updates on the Anti-trust Litigations will be available in the 2021 interim report of the Company. Our management assesses and monitors the financial and operational impacts of all contingent liabilities including the Anti-trust Litigations and other lawsuits. As at the date of this announcement, to the best knowledge, information and belief of the Directors, the Board believes that their impacts have been appropriately accounted for in our results.

SUSTAINABILITY

Sustainability is an important area of the Group's governance framework. The Board has established an environmental, social and governance committee (the "**ESG Committee**") at the Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee conducted review on the key environmental, social and governance risks and its risk mitigation controls faced by the Group, as well as approved the 2020 Environmental, Social and Governments Report of the Group (the "**2020 ESG Report**"). The 2020 ESG Report was officially released on 20 July 2021.

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 ESG Committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles.

In 2020, the Company was granted A+grade by the Hang Seng Corporate Sustainability Index ratings, 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.

OUTLOOK

As a leading pork enterprise globally, the Company has a vertically integrated production chain and extensive geographical presence. We are also a consumer goods company with branded packaged meats as our core business. The operation and financial performance of the Group, as always, are affected by external changes such as geopolitical relations, government policies, economic indicators, consumers' preferences, industry cycle and pandemic in each location that we operate.

In 2021, negative impacts from ASF and COVID-19 on us are retreating but global inflation has imposed new challenges to us. Therefore, apart from safeguarding our people and animals from pandemic, we will continue optimise our integrated value chain to combat volatility in commodity prices; to increase our degree of intelligence, automation and information-based production to improve efficiency and cost effectiveness; to introduce geographical and protein diversifications to accelerate growth; to adjust our product portfolios to maximise the added values; as well as to promote innovations in marketing to expand sales. We believe that our efforts will offer consumers quality products, maintain our leading position in the industry and create long-term value for shareholders, employees and the community.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	**For the six months ended 30 June 2021**			For the six months ended 30 June 2020		
		Results before biological fair value adjustments	**Biological fair value adjustments**	**Total**	Results before biological fair value adjustments	Biological fair value adjustments	Total
		US$'million	***US$'million***	***US$'million***	*US$'million*	*US$'million*	*US$'million*
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	*3*	**13,331**	**—**	**13,331**	12,481	—	12,481
Cost of sales		**(11,093)**	**133**	**(10,960)**	(10,212)	166	(10,046)
Gross profit		**2,238**	**133**	**2,371**	2,269	166	2,435
Distribution and selling expenses		**(974)**	**—**	**(974)**	(953)	—	(953)
Administrative expenses		**(393)**	**—**	**(393)**	(405)	—	(405)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**76**	**76**	—	(144)	(144)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(67)**	**(67)**	—	(324)	(324)
Other income		**63**	**—**	**63**	40	—	40
Other gains and (losses)		**120**	**—**	**120**	(33)	—	(33)
Other expenses		**(171)**	**—**	**(171)**	(6)	—	(6)
Finance costs		**(68)**	**—**	**(68)**	(68)	—	(68)
Share of profits of associates		**4**	**—**	**4**	3	—	3
Share of profits (losses) of joint ventures		**9**	**7**	**16**	1	(4)	(3)
PROFIT BEFORE TAX	*4*	**828**	**149**	**977**	848	(306)	542
Taxation	*5*	**(169)**	**(38)**	**(207)**	(173)	74	(99)
PROFIT FOR THE PERIOD		**659**	**111**	**770**	675	(232)	443
Other comprehensive income (expense) for the period:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**103**			—
Net other comprehensive income that will not be reclassified subsequently to profit or loss				**103**			—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2021

		For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Note	**Results before biological fair value adjustments** ***US$'million*** **(Unaudited)**	**Biological fair value adjustments** ***US$'million*** **(Unaudited)**	**Total** ***US$'million*** **(Unaudited)**	Results before biological fair value adjustments *US$'million* (Unaudited)	Biological fair value adjustments *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
Items that may be reclassified subsequently to profit or loss							
— exchange differences arising on translation of foreign operations				**(22)**			(120)
— fair value change in cash flow hedge, net of tax				**24**			149
Net other comprehensive income that may be reclassified subsequently to profit or loss				**2**			29
Other comprehensive income for the period, net of tax				**105**			29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**875**			472
Profit for the period attributable to:							
— owners of the Company				**652**			317
— non-controlling interests				**118**			126
				770			443
Total comprehensive income for the period attributable to:							
— owners of the Company				**753**			360
— non-controlling interests				**122**			112
				875			472
EARNINGS PER SHARE							
— Basic	*7*			**US 4.42 cents**			US 2.15 cents
— Diluted	*7*			**US 4.41 cents**			US 2.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	**30 June 2021 *US$'million* (Unaudited)**	31 December 2020 *US$'million* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**5,550**	5,531
Right-of-use assets		**701**	684
Biological assets	*9*	**141**	135
Goodwill		**2,004**	2,008
Intangible assets		**1,758**	1,762
Interests in associates		**47**	47
Interests in joint ventures		**325**	307
Other receivables		**62**	57
Financial assets at fair value through profit or loss		**12**	10
Pledged bank deposits		**8**	11
Deferred tax assets		**67**	61
Other non-current assets		**360**	268
Total non-current assets		**11,035**	10,881
CURRENT ASSETS			
Properties under development	*8*	**152**	130
Biological assets	*9*	**1,176**	1,047
Inventories	*10*	**3,180**	2,641
Trade and bills receivables	*11*	**1,147**	915
Prepayments, other receivables and other assets		**682**	512
Taxation recoverable		**59**	57
Financial assets at fair value through profit or loss		**532**	882
Pledged/restricted bank deposits		**38**	51
Bank balances and cash		**1,704**	1,599
Total current assets		**8,670**	7,834
CURRENT LIABILITIES			
Trade and bills payables	*12*	**929**	913
Accrued expenses and other payables	*13*	**2,673**	2,136
Lease liabilities		**103**	103
Taxation payable		**57**	73
Borrowings	*14*	**1,250**	796
Bank overdrafts	*14*	**—**	46
Total current liabilities		**5,012**	4,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2021

	Notes	**30 June 2021** ***US$'million*** **(Unaudited)**	31 December 2020 *US$'million* (Audited)
NET CURRENT ASSETS		**3,658**	3,767
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,693**	14,648
NON-CURRENT LIABILITIES			
Other payables	*13*	**302**	291
Lease liabilities		**376**	373
Borrowings	*14*	**1,602**	1,840
Deferred tax liabilities		**652**	553
Deferred revenue		**44**	44
Pension liability and other retirement benefits		**361**	562
Total non-current liabilities		**3,337**	3,663
NET ASSETS		**11,356**	10,985
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**10,522**	10,004
Equity attributable to owners of the Company		**10,523**	10,005
Non-controlling interests		**833**	980
TOTAL EQUITY		**11,356**	10,985

EXTRACTED FROM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**272**	1,219
Net cash flows from (used in) investing activities	**2**	(137)
Net cash flows used in financing activities	**(126)**	(176)
Net increase in cash and cash equivalents	**148**	906
Cash and cash equivalents at beginning of period	**1,553**	552
Effect of foreign exchange rate changes	**3**	(9)
Cash and cash equivalents at end of period	**1,704**	1,449
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**1,704**	1,463
Bank overdrafts	**—**	(14)
	1,704	1,449

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

WH Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands.

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

The functional currency of the Company is United States Dollar ("**US$**").

The interim financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, and certain financial instruments which are measured at fair value. This financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with *International Financial Reporting Standards* ("**IFRSs**") issued by the IASB, except for adoption of the revised IFRSs as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised IFRSs for the first time for the current period's interim financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The application of the amendments to IFRSs in the current period has had no material effect on the amounts reported and disclosures set out in the interim financial information.

3. 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 ended 31 December 2020, 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 period ended 30 June 2021 are reported in the reportable segments in alignment with the Group's annual consolidated financial statements for the year ended 31 December 2020, 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 period ended 30 June 2020 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 segment, other gains and losses, finance costs and share of profits of associates and joint ventures. This is the measure reported to the chief operating decision-makers for the purposes of resources allocation and assessment of segment performance.

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

3. SEGMENT INFORMATION (continued)

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

	For the six months ended 30 June 2021			
	Packaged meats *US$'million* (Unaudited)	Pork *US$'million* (Unaudited)	Others *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
China				
Gross segment revenue	2,099	3,284	655	6,038
Less: Inter-segment revenue	—	(413)	(176)	(589)
Revenue	2,099	2,871	479	5,449
Reportable segment profit	408	68	48	524
United States				
Gross segment revenue	3,873	4,877	40	8,790
Less: Inter-segment revenue	(1)	(2,182)	—	(2,183)
Revenue	3,872	2,695	40	6,607
Reportable segment profit (loss)	358	(17)	(24)	317
Europe				
Gross segment revenue	515	816	254	1,585
Less: Inter-segment revenue	(22)	(243)	(45)	(310)
Revenue	493	573	209	1,275
Reportable segment profit	50	26	3	79
Total				
Gross segment revenue	6,487	8,977	949	16,413
Less: Inter-segment revenue	(23)	(2,838)	(221)	(3,082)
Revenue#	6,464	6,139	728	13,331
Reportable segment profit	816	77	27	920
Net unallocated expenses				(37)
Biological fair value adjustments				149
Finance costs				(68)
Share of profits of associates				4
Share of profits of joint ventures				9
Profit before tax				977

3. **SEGMENT INFORMATION (continued)**

	For the six months ended 30 June 2020			
	Packaged meats *US$'million* (Unaudited)	Pork *US$'million* (Unaudited)	Others *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
China				
Gross segment revenue	1,971	3,425	476	5,872
Less: Inter-segment revenue	—	(518)	(138)	(656)
Revenue	1,971	2,907	338	5,216
Reportable segment profit	417	100	33	550
United States				
Gross segment revenue	3,408	4,212	1	7,621
Less: Inter-segment revenue	(1)	(1,500)	—	(1,501)
Revenue	3,407	2,712	1	6,120
Reportable segment profit (loss)	243	96	(63)	276
Europe				
Gross segment revenue	480	755	209	1,444
Less: Inter-segment revenue	(22)	(238)	(39)	(299)
Revenue	458	517	170	1,145
Reportable segment profit (loss)	34	70	(5)	99
Total				
Gross segment revenue	5,859	8,392	686	14,937
Less: Inter-segment revenue	(23)	(2,256)	(177)	(2,456)
Revenue#	5,836	6,136	509	12,481
Reportable segment profit (loss)	694	266	(35)	925
Net unallocated expenses				(13)
Biological fair value adjustments				(306)
Finance costs				(68)
Share of profits of associates				3
Share of profits of joint ventures				1
Profit before tax				542

Over 99% of the Group's revenue was recognised at a point in time.

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

Geographical information

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

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**265**	243
Depreciation of right-of-use assets	**61**	73
Amortisation of intangible assets included in administrative expenses	**5**	4
Write-down of inventories included in cost of sales	**88**	128
Impairment loss recognised in respect of property, plant and equipment	**1**	22
Impairment loss recognised in respect of right-of-use assets	**—**	1
Impairment loss recognised in respect of intangible assets	**—**	2
(Reversal of) impairment losses on trade receivables	**(5)**	11
Lease payments not included in the measurement of lease liabilities	**59**	42
Research and development expenses	**74**	65
Staff costs (excluding directors' remuneration)	**1,926**	1,921
Legal contingencies	**173**	—
Gain upon modification of defined benefit plans	**(105)**	—
Gain on disposal of property, plant and equipment, net	**(1)**	(1)
Fair value gain on financial assets at fair value through profit or loss	**(17)**	(10)

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

5. TAXATION

	Six months ended 30 June	
	2021	2020
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
China Enterprise Income Tax	**98**	108
U.S. income tax	**30**	44
Other income taxes	**17**	21
Withholding tax	**32**	24
Deferred taxation	**30**	(98)
	207	99

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

6. DIVIDENDS

At the Company's annual general meeting held on 1 June 2021, the shareholders of the Company approved the payment of a final dividend of HK$0.125 per share (year ended 31 December 2019: HK$0.265 per share) of the Company for the year ended 31 December 2020, as recommended by the Board, which was paid in cash to the shareholders of the Company on 7 July 2021, whose names appeared on the register of members of the Company on 7 June 2021.

The Board declared an interim dividend of HK$0.05 per share for the six months ended 30 June 2020 (six months ended 30 June 2020: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2021. The dividend is to be paid in cash to the shareholders of the Company on or about 30 September 2021.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**652**	317

	Six months ended 30 June	
	2021	2020
	million shares	*million shares*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,745.66**	14,727.65
Effect of dilutive potential ordinary shares: share options	**39.62**	77.69
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,785.28**	14,805.34

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

During the six months ended 30 June 2021, the Group incurred US$245 million (six months ended 30 June 2020: US$200 million) on the additions of items of property, plant and equipment.

During the six months ended 30 June 2021, the Group incurred US$25 million (six months ended 30 June 2020: US$23 million) on the additions to properties under development.

9. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	30 June 2021	31 December 2020
	Head million	*Head million*
	(Unaudited)	(Audited)
Live hogs		
— suckling	**2**	2
— nursery	**2**	2
— finishing	**8**	8
	12	12
Breeding stock (hogs)	**1**	1
	13	13
Broilers	**10**	9
Breeding stock (poultry)	**1**	—*
	11	9

* Less than 1 million head.

9. BIOLOGICAL ASSETS (continued)

Nature of the Group's agricultural activities (continued)

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

(ii) Climate, disease and other natural risks

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

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	30 June 2021 *US$'million* (Unaudited)	31 December 2020 *US$'million* (Audited)
Current	**1,176**	1,047
Non-current	**141**	135
	1,317	1,182

Fair value measurement

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.

10. INVENTORIES

	30 June 2021 *US$'million* **(Unaudited)**	31 December 2020 *US$'million* (Audited)
Raw materials	**866**	1,018
Work in progress	**131**	103
Finished goods	**2,183**	1,520
	3,180	2,641

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 *US$'million* **(Unaudited)**	31 December 2020 *US$'million* (Audited)
Trade receivables	**1,159**	931
Impairment	**(21)**	(24)
	1,138	907
Bills receivable	**9**	8
	1,147	915

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

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

	30 June 2021 *US$'million* **(Unaudited)**	31 December 2020 *US$'million* (Audited)
Current to 30 days	**1,030**	802
31 to 90 days	**115**	112
91 to 180 days	**2**	1
Over 180 days	**—**	—
	1,147	915

12. TRADE AND BILLS PAYABLES

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

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

	30 June 2021	31 December 2020
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Within 30 days	**911**	891
31 to 90 days	**9**	19
91 to 180 days	**2**	1
181 to 365 days	**7**	2
	929	913

13. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2021 *US$'million* **(Unaudited)**	31 December 2020 *US$'million* (Audited)
Accrued staff costs	**607**	732
Deposits received	**84**	90
Sales rebates payables	**257**	261
Payables in respect of acquisition of property, plant and equipment	**57**	77
Accrued insurance	**156**	155
Interest payable	**26**	27
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	11
Growers payables	**43**	45
Pension liability	**23**	23
Derivative financial instruments	**6**	16
Accrued professional expenses	**14**	24
Accrued rent and utilities	**37**	32
Dividend payables	**242**	14
Contract liabilities	**713**	520
Other accrued expenses	**409**	302
Other payables	**291**	98
	2,975	2,427
Analysed for reporting purposes as:		
Current liabilities	**2,673**	2,136
Non-current liabilities	**302**	291
	2,975	2,427

14. BORROWINGS

	30 June 2021	31 December 2020
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Senior unsecured notes:		
2.650% senior unsecured notes due October 2021	**291**	310
3.350% senior unsecured notes due February 2022	**296**	307
4.250% senior unsecured notes due February 2027	**596**	596
5.200% senior unsecured notes due April 2029	**396**	395
3.000% senior unsecured notes due October 2030	**490**	490
	2,069	2,098
Bank loans:		
Secured	**5**	11
Unsecured	**775**	524
Loans from third parties:		
Secured	**2**	1
Unsecured	**1**	2
Total borrowings other than bank overdrafts	**2,852**	2,636
Bank overdrafts	**—**	46
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**1,250**	796
One to two years	**60**	326
Two to five years	**57**	31
After five years	**1,485**	1,483
	2,852	2,636
Less: Amounts due within one year shown under current liabilities	**(1,250)**	(796)
Amounts due after one year	**1,602**	1,840
Total borrowings other than bank overdrafts:		
At fixed rates	**2,688**	2,599
At floating rates	**164**	37
	2,852	2,636

OTHER INFORMATION

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.1.7 of the CG Code — Physical Board Meeting

Under the code provision A.1.7 of the CG Code, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the Review Period, the Board approved the transactions in relation to the Share Buy-back Offer on 2 June 2021 by way of passing written resolutions. As each of Mr. Wan Long, Mr. Guo Lijun, Mr. Ma Xiangjie and Mr. Wan Hongjian (a former Director) was a member of the controlling shareholders of the Company and their respective parties acting in concert with them, and was considered to have material interests in the transactions in respect of the Share Buy-back Offer. Therefore, the transactions in respect of the Share Buy-back Offer should be dealt with by a physical board meeting.

The Board considered that the adoption of written resolutions would facilitate the effectiveness of decision-making and implementation. In addition, the aforementioned four Directors and former Director (who had material interests in the transactions in respect of the Share Buy-back Offer) and Mr. Dennis Pat Rick Organ (a former Director who was interested in 1,000,000 share options under the pre-IPO share option scheme of the Company) abstained from the passing of the written resolutions.

The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the code provision A.1.7 of the CG Code.

Code Provision A.2.1 of the CG Code — Chairman and Chief Executive Officer

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). 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.

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

On 6 June 2021, the Company announced that the Board resolved on 2 June 2021 for the Share Buy-back Offer to be made by Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited on behalf of the Company to buy-back, subject to the conditions of the Share Buy-back Offer, for cancellation up to 1,916,937,202 shares of the Company (the "**Shares**"), representing approximately 13.0% of the issued share capital of the Company as at 30 June 2021, at a cash consideration of HK$7.80 per Share.

The Share Buy-back Offer is subject to all of the conditions of the Share Buy-back Offer being fulfilled and, therefore, may or may not become unconditional. As at the date of this announcement, the completion of the Share Buy-back Offer has not taken place yet. For details of the Share Buy-back Offer, please refer to the announcement of the Company dated 6 June 2021 and the offer document of the Company dated 30 July 2021.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review Period.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.05 per share (2020: HK$0.05 per share) for the six months ended 30 June 2021 (the "**2021 Interim Dividend**"), representing a total payment of approximately HK$737 million (equivalent to approximately US$95 million) (2020: approximately HK$737 million, equivalent to approximately US$95 million) to the shareholders of the Company (the "**Shareholders**"). The 2021 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Thursday, 26 August 2021 on or about Thursday, 30 September 2021. The register of members of the Company will be closed from Friday, 27 August 2021 to Tuesday, 31 August 2021, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2021 Interim Dividend, Shareholders are reminded to lodge their transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms not later than 4:30 p.m. on Thursday, 26 August 2021 for registration with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2021 interim report of the Company will be despatched to the Shareholders and published on the same websites in due course.

By order of the Board
WH Group Limited
Wan Long
Chairman and Chief Executive Officer

Hong Kong, 12 August 2021

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun and Mr. MA Xiangjie and Mr. Charles Shane SMITH; the non-executive Director is Mr. JIAO Shuge; and the independent non-executive Directors are Mr. HUANG Ming, Mr. LEE Conway Kong Wai and Mr. LAU, Jin Tin Don.