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

INTERIM REPORT 2022

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 5 August 2014

Stock Code: 288

COMPANY WEBSITE
www.wh-group.com

DIRECTORS
Executive Directors
Mr. WAN Long (Chairman)
Mr. GUO Lijun (Chief Executive Officer)
Mr. WAN Hongwei (Deputy Chairman)
Mr. MA Xiangjie (President of Shuanghui Development)
Mr. Charles Shane SMITH
(President and Chief Executive Officer of Smithfield)

Non-executive Director
Mr. JIAO Shuge

Independent Non-executive Directors
Mr. HUANG Ming
Mr. LAU, Jin Tin Don
Ms. ZHOU Hui

COMPANY SECRETARY
Mr. CHAU Ho

AUDIT COMMITTEE
Ms. ZHOU Hui (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

REMUNERATION COMMITTEE
Mr. HUANG Ming (Chairman)
Ms. ZHOU Hui
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 Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LAU, Jin Tin Don

FOOD SAFETY COMMITTEE
Mr. WAN Long (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Ms. ZHOU Hui

RISK MANAGEMENT COMMITTEE
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Ms. ZHOU Hui

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
Cooperatieve Rabobank U.A..
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation

Corporate Information (Continued)

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

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1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	Six months ended 30 June 2022	2021
Key operating data		
Packaged meats sold (thousand metric tons)	**1,612**	1,614
Pork sold (thousand metric tons)	**2,031**	2,138

	Six months ended 30 June 2022		2021	
	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	**13,398**	**13,398**	13,331	13,331
EBITDA	**1,541**	**1,608**	1,227	1,376
Operating profit	**1,211**	**1,211**	920	920
Profit attributable to owners of the Company	**701**	**759**	539	652
Basic earnings per share (US cents)	**5.46**	**5.92**	3.66	4.42
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Sales volume of packaged meats and pork decreased by 0.1% and 5.0% respectively
- Revenue increased by 0.5%; Operating profit increased by 31.6%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 30.1%
- Basic earnings per share, before biological fair value adjustments, increased by 49.2%

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 report.

INDUSTRY OVERVIEW

The Group operates in China, the U.S., Mexico and certain selected markets in Europe. Each geographic region is characterised distinctively. Our management team is accountable for the management of the market dynamics in each region effectively to maximise profit of the Group.

China

China is the largest pork producer and consumption market in the world. In the medium and long term, supplies of pork in China are largely dependent on the availability of agricultural resources, government policies, regulatory environment, animal epidemics and production technology. Given the importance of pork in Chinese diet, demand has always been stable and strong. As China continues to experience economic growth and improvement of people's living standards, demand for high-quality pork products is expected to expand further. Nevertheless, short-term trends are impacted by industry cycle and near term events.

In the Review Period, the total production of hogs was 366 million heads according to the National Bureau of Statistics of China, which was 8.4% higher than 337 million heads in the Comparable Period. The total production volume of pork was 29.39 million metric tons, representing an increase of 8.2% as compared to 27.15 million metric tons in the Comparable Period. With reference to the statistics published by the MOA, the average hog price in the Review Period was RMB14.5 (approximately US$2.24) per kg, representing a noticeable decrease of 43.9% from that of the Comparable Period. The decrease was mainly due to the continuous increase in the supply of market hogs and the slowdown of demand in view of sluggish economic growth. As hog prices remained at a relatively low level, imports of pork declined significantly. The total volume of imported pork, as disclosed by The General Administration of Customs of China, was 0.80 million metric tons in the Review Period, representing a decrease of 65.1% from that of in the Comparable Period. The key importing regions were the European Union (the "**EU**"), Brazil and Canada in descending order of import volume.

U.S.

The U.S. is the second largest pork producing country in the globe. 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.

With reference to the statistics of the USDA, overall animal protein production in the U.S. stayed flat in the Review Period, in which pork was 3% lower, beef was 2% higher and chicken was 1% higher than the Comparable Period. The decrease in pork production was due to the impact of diseases on hog herds in some areas and the uncertainty of producers' margins given the high raising costs. Meanwhile, domestic demand was supported by robust market consumption. As a result, the average hog price, according to the CME, was US$1.62 per kg in the Review Period, representing an increase of 2.5% over that of the Comparable Period. The average pork cut-out value, according to the USDA, also remained stable at a relatively high level in the Review Period.

Management Discussion and Analysis (Continued)

Nonetheless, the high retail prices could weaken the consumption demand as household budgets continue to be squeezed by higher living costs. Therefore, during the Review Period, hog and pork prices increased year on year in the first quarter but decreased year on year in the second quarter. Export demand was also constrained by high prices. According to the USDA, export volume of U.S. pork and offals decreased by 22.1% to 1.2 million metric tons in the Review Period. Major export destinations that recorded a decrease in export volume included China, Japan and South Korea. As the price differential became significantly smaller, U.S. exports to China reduced by 55.5% in the Review Period notwithstanding the complementary nature of consumers' preference in the two markets. In contrast, U.S. exports to Mexico increased, which offset part of the decrease of exports to the other destinations.

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. Meanwhile, the EU is also the largest exporter of pork and pork products globally. Therefore, its pork prices are highly sensitive to the export environment.

According to the latest statistics disclosed by the European Commission, the aggregated pork production of the member states of the EU decreased by 6.0% in the Review Period over that of the Comparable Period. Apart from the impact associated with African Swine Fever ("**ASF**"), the decrease in pork production was also due to the margin pressure on producers caused by high input costs and uncertain demand provided that there was a war in Ukraine and widespread inflation in the region.

As a result of supply contraction, the average carcass price in EU increased by 11.3% to EUR1.72 (approximately US$1.88) per kg in the Review Period. Due to the reduction of price attractiveness and restrictions caused by ASF, total export volume of the EU in the first five months of 2022 decreased by 26.2% over that of the same period in the previous year. In particular, shipments to China decreased by 61.5% as import demand from China continued to be weak given the recovery of its local supplies.

RESULTS OF OPERATIONS

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

	Six months ended 30 June		
	2022	2021	Change
	US$ million	US$ million	%
Revenue[1]			
— Packaged meats[2]	7,073	6,464	9.4
— Pork[3]	5,550	6,139	(9.6)
— Others[4]	775	728	6.5
	13,398	13,331	0.5
Operating profit			
— Packaged meats[2]	1,081	816	32.5
— Pork[3]	124	77	61.0
— Others[4], [5]	6	27	(77.8)
	1,211	920	31.6

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) Other operating profit includes certain corporate expenses.

Packaged meats has always been our core business. It accounted for 52.8% (Comparable Period: 48.5%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 89.3% in the Review Period (Comparable Period: 88.7%).

Geographically, our operations in China contributed 32.6% and 44.3% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 40.9% and 57.0%). Contribution of our operations in the U.S. and Mexico to the revenue and operating profit of the Group in the Review Period were 57.2% and 51.1% (Comparable Period: 49.6% and 34.5%) respectively. The rest of the revenue and operating profit of the Group were derived from our operations in Europe.

Management Discussion and Analysis (Continued)

Packaged Meats

	Six months ended 30 June		
	2022	2021	Change
	US$ million	US$ million	%
Revenue			
China	2,029	2,099	(3.3)
U.S.	4,428	3,872	14.4
Europe	616	493	24.9
	7,073	6,464	9.4
Operating profit			
China	496	408	21.6
U.S.	539	358	50.6
Europe	46	50	(8.0)
	1,081	816	32.5

In the Review Period, our packaged meats sales volume remained stable at 1,612 thousand metric tons. In China, sales volume during the Review Period decreased by 1.8% due to the slowdown of consumer market and keen competition in mass products. Marketing plans and supply chain were also disrupted by Coronavirus Disease 2019 ("**COVID-19**") prevention and control measures in some areas. Sales volume in the U.S. decreased by 1.7% in the Review Period as a result of volume decline in the retail and industrial channels due primarily to challenging labour and supply chain environments, which was partially offset by volume gain in food service channel as hospitality sector continued to recover from pandemic. In Europe, our sales volume increased by 18.9% as we benefited from both organic growth and new acquisition.

Revenue in the Review Period increased by 9.4% to US$7,073 million. Revenue in China decreased by 3.3% mainly due to the decrease in sales volume. In the U.S., revenue increased by 14.4% as food service demand was strong and we managed pricing in all sales channels to offset the persistent increase in costs. In Europe, revenue in the Review Period increased by 24.9% due to the increase in sales volume and price management in the face of inflationary headwinds, which was partially offset by the weakening of local currencies.

Operating profit was US$1,081 million in the Review Period, representing a notably increase of 32.5% from that of the Comparable Period. In China, operating profit increased by 21.6% in the Review Period as the decrease in primary raw material costs countervailed the increase in other costs and expenses as well as the decrease in sales. In the U.S., despite the cost increases in raw materials, distribution, energy and labour, our operating profit grew significantly by 50.6% in the Review Period. The increase in profitability was primarily driven by the increase in sales and improvements in manufacturing efficiency. In Europe, our operating profit decreased by 8.0% as the increase in sales was outweighed by elevated costs and expenses as well as the depreciation of local currencies.

Pork

	Six months ended 30 June		
	2022	2021	Change
	US$ million	US$ million	%
Revenue			
China	**1,895**	2,871	(34.0)
U.S. and Mexico[1]	**3,195**	2,695	18.6
Europe	**460**	573	(19.7)
	5,550	6,139	(9.6)
Operating profit (loss)			
China	**36**	68	(47.1)
U.S. and Mexico[1]	**102**	(17)	N/A
Europe	**(14)**	26	N/A
	124	77	61.0

Note:

(1) Revenue and operating loss of our subsidiaries in Mexico were consolidated in the Review Period as we increased our equity interest in a joint venture in July 2021 (Comparable Period: Not applicable).

Management Discussion and Analysis (Continued)

Total number of hogs processed in the Review Period was 25,492 thousand heads, representing an increase of 0.6% over that of the Comparable Period. In China, the number of hogs processed increased notably by 31.2% as market hog supplies expanded. On the other hand, our processing volume in the U.S. and Mexico decreased by 4.5% as market hog supplies tightened. In Europe, the number of hogs processed in the Review Period decreased by 17.9% as supply of market hogs was impacted by ASF and we managed our production levels in reaction to the market condition. External sales volume of pork was 2,031 thousand metric tons in the Review Period, 5.0% lower than that of the Comparable Period. The decrease was driven by the lower harvest levels in the U.S. and Europe as well as the decrease in sales of imported products in China.

Pork revenue in the Review Period decreased by 9.6% as compared to that of the Comparable Period to US$5,550 million. In China, revenue decreased by 34.0% as pork prices declined year on year. In the U.S. and Mexico, revenue increased by 18.6% in the Review Period primarily due to the consolidation of sales of one of our subsidiaries in Mexico and the favourable product mix in the U.S.. In Europe, revenue decreased by 19.7% as the decrease in sales volume outweighed the increase in selling prices.

Our operating profit of pork increased significantly by 61.0% to US$124 million in the Review Period. In China, operating profit decreased by 47.1% due to the decline in contribution of imported pork as international trades were less conducive during the Review Period. In the U.S. and Mexico, operating profit was US$102 million in the Review Period (Comparable Period: operating loss of US$17 million). In the U.S., labour shortages, tighter hog supplies, strong demand of pork and other inflationary cost pressures have elevated the entire pork value chain. The increase in operating profit was due to the stronger sales, which was more than offset the higher raw materials and manufacturing costs. In Europe, we incurred an operating loss of US$14 million (Comparable Period: operating profit of US$26 million). The loss was primarily due to lower sales and higher raw material and manufacturing costs. On a positive note, profitability improved quarter on quarter during the Review Period.

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 production, 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 and sales of flavoring ingredients, natural casings as well as biological pharmaceutical materials.

During the Review Period, revenue generated by our other businesses amounted to US$775 million, an increase of 6.5% as compared to that of the Comparable Period. Our poultry business in Europe and China as well as logistics business in China made a respectable contribution to our other businesses. For poultry business, we processed approximately 104 million heads of broiler, goose and turkey in the Review Period, which represented an increase of 17.4% from that of the Comparable Period. The growth of poultry business is an integral part of our strategy in protein diversification. For logistics business, we currently own 20 logistics centers across 15 provinces in China covering the majority of mainland China. These facilities enable us to deliver our packaged meats and pork timely and safely as well as to serve other external customers.

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.

Liquidity

The Group continues to maintain ample liquidity. As at 30 June 2022, we had cash and bank balances of US$968 million (as at 31 December 2021: US$1,556 million), which were held primarily in RMB and US$. From time to time, we also hold certain financial products and debt instruments for yield enhancement purpose. Such financial products and debt instruments are classified as current financial assets at fair value through profit or loss and other current assets, respectively. As at 30 June 2022, the aggregate balance was US$180 million (as at 31 December 2021: US$422 million). During the Review Period, there was no impairment charges on any of these financial products and debt instruments.

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at 30 June 2022 (as at 31 December 2021: 1.7 times). The aggregate amount of unutilised banking facilities as at 30 June 2022 was US$4,681 million (as at 31 December 2021: US$5,796 million).

Debt Profile

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

	At 30 June 2022 US$ million	At 31 December 2021 US$ million
Borrowings by nature		
Senior unsecured notes	1,975	1,973
Bank borrowings	1,896	2,038
Commercial paper	12	—
Loans from third parties	3	3
	3,886	4,014
Borrowings by geographical region		
U.S. and Mexico	2,188	1,995
China	1,558	1,877
Europe	140	142
	3,886	4,014
Borrowings by currency		
US$	2,169	2,195
HK$	890	1,135
RMB	666	539
Other currencies	161	145
	3,886	4,014

The Group's total principal amount of outstanding borrowings as at 30 June 2022 was US$3,919 million (as at 31 December 2021: US$4,049 million). The maturity profile is analysed as follows:

	Total
In 2022	14%
In 2023	9%
In 2025	23%
In 2026	3%
In 2027	15%
In 2029	10%
In 2030	13%
In 2031	13%
	100%

As at 30 June 2022, 97.6% of our borrowings were unsecured (as at 31 December 2021: 99.8%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Major Financing Activities

These were no major financing activities in the Review Period.

Leverage Ratios

As at 30 June 2022, 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 39.6% and 29.7%, respectively (as at 31 December 2021: 41.4% and 25.4%, 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 30 June 2022, were 1.4 times and 1.0 times, respectively (as at 31 December 2021: 1.6 times and 1.0 times, respectively).

Finance Costs

Our finance costs were US$79 million in the Review Period, representing an increase of 16.2% from that of the Comparable Period. The increase was mainly due to the increase in average outstanding loan balance.

As at 30 June 2022, the average interest rate of our outstanding borrowings was 3.1% (as at 31 December 2021: 2.7%).

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. Our IDR and senior unsecured rating are BBB+ according to Fitch. Our long-term corporate credit rating is BBB according to S&P. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings is stable.

For our wholly owned subsidiary, Smithfield, Fitch assigned to it an IDR of BBB with a stable outlook. According to S&P, the corporate credit rating of Smithfield is BBB-. The outlook is stable. The corporate family rating of Smithfield assigned by Moody's was Ba1. On 26 July 2022, Moody's revised the rating outlook of Smithfield from stable to positive.

HUMAN RESOURCES

We continue to focus on talent management and employee engagement. As at 30 June 2022, we had approximately 105 thousand employees in total, of which approximately 48 thousand employees were with our China operations; approximately 40 thousand employees were with our U.S. and Mexico operations; approximately 17 thousand employees were with our European operations, respectively. The Group provides training programs to the employees with a view to constantly improving 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$2,044 million (Comparable Period: US$1,934 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 2022, we had a total of 14.16 million hogs, consisting of 12.99 million live hogs and 1.17 million breeding stock, representing an increase of 0.2% from that of 31 December 2021. We also had a total of 20.33 million poultry, consisting of 18.50 million broilers and 1.83 million breeding stock, an increase of 60.6% from that of 31 December 2021. The fair value of our biological assets was US$1,607 million as at 30 June 2022, as compared to US$1,431 million as at 31 December 2021.

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 the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$62 million (Comparable Period: gain of US$111 million).

INVESTMENT IN JOINT VENTURES

The Group has several joint ventures globally.

In the U.S., our joint ventures are mainly engaged in converting waste from our hog farming operations into carbon negative renewable natural gas to power homes, vehicles and businesses. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LLC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. In February 2022, we formed Viceroy Bio Energy, LLC ("**Viceroy**") with our partners in Monarch. Upon the formation, Monarch contributed certain assets related to biogas operations to Viceroy. Also in February 2022, Monarch issued additional shares representing a 33% ownership interest to a climate investor, TPG Rise Monsoon, LP. As a result, our ownership interest in Monarch was reduced from 50% to 33%.

In Mexico, we have a joint venture interest in an integrated hog producer and processor, Norson. It owns approximately 51 thousand sows and has the facilities that process approximately 1.40 million hogs per annum. Pursuant to our joint venture agreement, we offered to purchase the shares of Norson currently held by our joint venture partner in June 2022, which was subsequently being rejected. As a result, our joint venture partner is irrevocably committed to purchase our shares and will lead to a sale of our entire interest in Norson.

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$434 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	
	2022	2021
	US$ million	US$ million
China	**283**	215
U.S. and Mexico	**119**	78
Europe	**32**	28
	434	321

During the Review Period, our capital expenditures in China were mainly for the establishment of two vertically integrated poultry production facilities and two hog raising facilities. A portion 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. and Mexico were primarily related to the modernisation of our processing plants and upgrade of our packaged meats production facilities. Our capital expenditures in Europe were mainly for the maintenance and improvement of our plants.

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 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. 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 2022, approximately 68.1% of our borrowings were at fixed interest rates (as at 31 December 2021: 62.7%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedges (if appropriate).

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.

Anti-trust Litigation

Smithfield has been named as one of the defendants by three groups of plaintiffs (namely the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers) in the U.S. alleging anti-trust violations in the pork industry starting in 2009 and continuing through at least June 2018 (the "**Anti-trust Litigation**").

During the Review Period, in addition to the payment of US$77 million made to settle all class claims by the direct purchasers as agreed in 2021, the Group also settled all commercial and institutional indirect purchasers class claims by a single payment of US$42 million in accordance to a settlement agreement on 19 March 2022. Under an agreement dated 4 August 2022, the Group further agreed to settle all consumer indirect purchaser class claims for a single payment of US$75 million. The terms of this settlement are subject to court approval following notice to class members. The Group intends to vigorously defend against the remaining claims. Accruals for estimated losses and expenses in relation to Anti-trust Litigation were established prior to the Review Period.

The Board assesses and monitors the financial and operational impacts of material contingencies, including the Anti-trust Litigation, on a continuous basis and takes actions which are considered to be in the best interest of the Group. Details of the Anti-trust Litigation are set out in Note 19 to the interim financial information of this report.

SUSTAINABILITY

Sustainability is an important area of the Group's governance framework. The Board has established an 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 reported to the management about the key environmental, social and governance risks faced by the Group and conducted review on its risk mitigation controls, assessed and endorsed the Group's environmental targets and corporate principles, as well as approved the 2021 Environmental, Social and Governance Report of the Group. The Group's 2021 Environmental, Social and Governance Report was officially released on 27 May 2022.

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 general principles of the Group.

In 2021, the Company was selected as a constituent stock of the Hang Seng Corporate Sustainability Index ("**HSSUS**") and granted A+ grade and received an ESG rating upgrade to BBB by MSCI, the world's largest index company, demonstrating the market's recognition of the Group's performance in sustainable development.

OUTLOOK

Against the backdrop of slowing economic growth, rising inflation, divergent monetary policies, geopolitical tension, and global gap in COVID-19 response, the first half of 2022 was full of challenges to many businesses in the globe. It is widely believed that such uncertainty will continue in the second half of this year.

In the Review Period, we achieved solid growth as we benefited from lower cost of primary raw materials in China and prosperous domestic consumption demand in the U.S.. However, the inflation environment will add pressure to our margin unless we can realise added value from our products by correct pricing, appropriate mix, best-in-class cost-control measures and outstanding operational efficiency. Therefore, it will be our first priority to focus on these areas. Meanwhile, we will also increase market investment, speed up industrial upgrade and promote protein diversification strategy. With the best endeavours of our management team at all levels and all regions, the Group will continue to offer our consumers quality products, maintain our leading position in the industry and create value for Shareholders, employees and the community.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 56, which comprises the condensed consolidated statement of financial position of WH Group Limited (the "Company") and its subsidiaries as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
16 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Notes	**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)
Revenue	3	**13,398**	**–**	**13,398**	13,331	–	13,331
Cost of sales		**(10,775)**	**51**	**(10,724)**	(11,093)	133	(10,960)
Gross profit		**2,623**	**51**	**2,674**	2,238	133	2,371
Distribution and selling expenses		**(1,035)**	**–**	**(1,035)**	(974)	–	(974)
Administrative expenses		**(412)**	**–**	**(412)**	(393)	–	(393)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**116**	**116**	–	76	76
Loss arising from changes in fair value less costs to sell of biological assets		**–**	**(102)**	**(102)**	–	(67)	(67)
Other income		**54**	**–**	**54**	63	–	63
Other gains and (losses)		**(47)**	**–**	**(47)**	120	–	120
Other expenses		**(11)**	**–**	**(11)**	(171)	–	(171)
Finance costs		**(79)**	**–**	**(79)**	(68)	–	(68)
Share of profits (losses) of associates		**(2)**	**–**	**(2)**	4	–	4
Share of profits (losses) of joint ventures		**(3)**	**2**	**(1)**	9	7	16
PROFIT BEFORE TAX	4	**1,088**	**67**	**1,155**	828	149	977
Taxation	5	**(251)**	**(5)**	**(256)**	(169)	(38)	(207)
PROFIT FOR THE PERIOD		**837**	**62**	**899**	659	111	770
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 2022

	Note	**For the six months ended 30 June 2022**			For the six months ended 30 June 2021		
		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				**(309)**			(22)
– fair value changes in cash flow hedge, net of tax				**(12)**			24
Net other comprehensive income (expense) that may be reclassified subsequently to profit or loss				**(321)**			2
Other comprehensive income (expense) for the period, net of tax				**(321)**			105
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**578**			875
Profit for the period attributable to:							
– owners of the Company				**759**			652
– non-controlling interests				**140**			118
				899			770
Total comprehensive income for the period attributable to:							
– owners of the Company				**483**			753
– non-controlling interests				**95**			122
				578			875
EARNINGS PER SHARE							
– Basic (US cents)	7			**5.92**			4.42
– Diluted (US cents)	7			**5.92**			4.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	6,344	6,367
Right-of-use assets		788	711
Biological assets	9	179	168
Goodwill		2,037	2,070
Intangible assets		1,729	1,757
Interests in associates		120	62
Interests in joint ventures		137	191
Other receivables		83	67
Financial assets at fair value through profit or loss		12	12
Pledged bank deposits		8	7
Deferred tax assets		45	42
Other non-current assets		268	335
Total non-current assets		11,750	11,789
CURRENT ASSETS			
Properties under development	8	145	150
Biological assets	9	1,428	1,263
Inventories	10	3,081	2,625
Trade and bills receivables	11	1,252	1,064
Prepayments, other receivables and other assets		842	668
Taxation recoverable		47	20
Financial assets at fair value through profit or loss		93	232
Pledged/restricted bank deposits		56	44
Cash and bank balances		968	1,556
Total current assets		7,912	7,622
CURRENT LIABILITIES			
Trade and bills payables	12	966	1,149
Accrued expenses and other payables	13	2,709	2,371
Lease liabilities		102	110
Taxation payable		67	71
Borrowings	14	788	874
Total current liabilities		4,632	4,575

Condensed Consolidated Statement of Financial Position (Continued)

30 June 2022

	Notes	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
NET CURRENT ASSETS		3,280	3,047
TOTAL ASSETS LESS CURRENT LIABILITIES		15,030	14,836
NON-CURRENT LIABILITIES			
Other payables	13	396	383
Lease liabilities		475	377
Borrowings	14	3,098	3,140
Deferred tax liabilities		701	725
Deferred revenue		43	46
Pension liability and other retirement benefits	15	493	478
Total non-current liabilities		5,206	5,149
NET ASSETS		9,824	9,687
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		9,001	8,747
Equity attributable to owners of the Company		9,002	8,748
Non-controlling interests		822	939
TOTAL EQUITY		9,824	9,687

The interim financial information on pages 20 to 56 were approved and authorised for issue by the Board of Directors on 16 August 2022 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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$'million (Note (b))	Statutory surplus reserve US$'million (Note (c))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At 1 January 2022 (Audited)	**1**	**1,083**	**785**	**(11)**	**(272)**	**271**	**6,891**	**8,748**	**939**	**9,687**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**759**	**759**	**140**	**899**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(264)**	**–**	**–**	**–**	**(264)**	**(45)**	**(309)**
Fair value changes in cash flow hedge	**–**	**–**	**–**	**–**	**(12)**	**–**	**–**	**(12)**	**–**	**(12)**
Total comprehensive income for the period	**–**	**–**	**–**	**(264)**	**(12)**	**–**	**759**	**483**	**95**	**578**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(207)**	**(207)**
Dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(229)**	**(229)**	**–**	**(229)**
Lapse of share options	**–**	**–**	**–**	**–**	**(–*)**	**–**	**–***	**–**	**–**	**–**
Transfer of contractual put option in relation to non-controlling interests (note (d))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Transfer	**–**	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**(1)**	**–**	**1**	**–**	**(229)**	**(229)**	**(212)**	**(441)**
At 30 June 2022 (Unaudited)	**1**	**1,083**	**784**	**(275)**	**(283)**	**271**	**7,421**	**9,002**	**822**	**9,824**
At 1 January 2021 (Audited)	1	3,011	791	25	(249)	269	6,157	10,005	980	10,985
Profit for the period	–	–	–	–	–	–	652	652	118	770
Exchange differences arising on translation of foreign operations	–	–	–	(26)	–	–	–	(26)	4	(22)
Remeasurement on defined benefit pension plans	–	–	–	–	103	–	–	103	–	103
Fair value changes in cash flow hedge	–	–	–	–	24	–	–	24	–	24
Total comprehensive income for the period	–	–	–	(26)	127	–	652	753	122	875
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(269)	(269)
Dividend	–	–	–	–	–	–	(237)	(237)	–	(237)
Issue of shares upon exercise of share options	–*	3	–	–	(1)	–	–	2	–	2
Lapse of share options	–	–	–	–	(–*)	–	–*	–	–	–
	–*	3	–	–	(1)	–	(237)	(235)	(269)	(504)
At 30 June 2021 (Unaudited)	1	3,014	791	(1)	(123)	269	6,572	10,523	833	11,356

* Less than US$1 million.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

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) Other reserve

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.

(c) 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.

(d) Transfer of contractual put option in relation to non-controlling interests

The Group entered into a contractual put option in relation to non-controlling interest ("NCI") shares in a subsidiary. The NCI shareholder can require the Group to acquire the shares of the subsidiary at a future date. The Group applied the partial recognition of NCI method for its put option, of which the profit for the period shared by the NCI shareholder in relation to the portion of the put option is recorded as a liability in "accrued expenses and other payables" in the consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**34**	340
INVESTING ACTIVITIES		
Interest received	**15**	9
Additions of property, plant and equipment	**(432)**	(319)
Additions of right-of-use assets	**(2)**	(3)
Proceeds from disposal of property, plant and equipment	**2**	7
Dividends received from associates	**3**	3
Net cash inflow (outflow) on acquisition of subsidiaries	**25**	(53)
Acquisition of equity interests in a joint venture	**(9)**	—
Purchase of financial assets at fair value through profit or loss	**(306)**	(639)
Proceeds from disposal of financial assets at fair value through profit or loss	**451**	1,009
Purchase of debt investments at amortised cost	**(142)**	(99)
Proceeds from disposal of debt investments at amortised cost	**254**	70
Placement of pledged/restricted bank deposits	**(55)**	(38)
Withdrawal of pledged/restricted bank deposits	**38**	53
Insurance claims on property, plant and equipment	**2**	2
Purchases of other assets	**(4)**	—
Net cash flows from (used in) investing activities	**(160)**	2
FINANCING ACTIVITIES		
Interest paid	**(67)**	(68)
Dividends paid to shareholders and non-controlling interests	**(211)**	(278)
Proceeds from borrowings, net of transaction costs	**1,841**	1,952
Repayment of borrowings	**(1,922)**	(1,742)
Contribution from non-controlling interests	**1**	—
Proceeds from issue of shares	**—**	3
Lease payments	**(58)**	(61)
Net cash flows used in financing activities	**(416)**	(194)
Net increase (decrease) in cash and cash equivalents	**(542)**	148
Cash and cash equivalents at beginning of period	**1,556**	1,553
Effect of foreign exchange rate changes	**(46)**	3
Cash and cash equivalents at end of period	**968**	1,704
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**968**	1,704

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 production and sales of packaged meats and pork.

The functional currency of the Company is US$.

The interim financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by 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 2021.

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 2021, 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.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

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 2021, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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.

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 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 in March 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- 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. The amendment is not applicable to the Group's interim financial information.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

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. The Group's reportable segments, which are also the operating segments, are classified based on their locations including China, U.S. and Mexico, and Europe and the nature of operations as (i) packaged meats, (ii) pork, and (iii) others.

The details of the Group's business activities are as follows:

(i) Packaged meats — represents production, wholesale and retail sales of low temperature and high temperature meat products.

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

(iii) Others — represents production, slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, production and sales of flavouring ingredients, 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 and losses 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 2022			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	2,029	2,220	618	4,867
Less: Inter-segment revenue	–	(325)	(176)	(501)
Revenue	2,029	1,895	442	4,366
Reportable segment profit	496	36	5	537
U.S. and Mexico[(1)]				
Gross segment revenue	4,429	5,200	45	9,674
Less: Inter-segment revenue	(1)	(2,005)	–	(2,006)
Revenue	4,428	3,195	45	7,668
Reportable segment profit (loss)	539	102	(22)	619
Europe				
Gross segment revenue	640	680	348	1,668
Less: Inter-segment revenue	(24)	(220)	(60)	(304)
Revenue	616	460	288	1,364
Reportable segment profit (loss)	46	(14)	23	55
Total				
Gross segment revenue	7,098	8,100	1,011	16,209
Less: Inter-segment revenue	(25)	(2,550)	(236)	(2,811)
Revenue[#]	7,073	5,550	775	13,398
Reportable segment profit	1,081	124	6	1,211
Net unallocated expenses				(39)
Biological fair value adjustments				67
Finance costs				(79)
Share of losses of associates				(2)
Share of losses of joint ventures				(3)
Profit before tax				1,155

Note:

(1) Revenue and operating loss of subsidiaries in Mexico in the pork segment were consolidated for the six months ended 30 June 2022 as the Group increased its equity interest in a joint venture in July 2021 (see note 16).

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (Continued)

	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
U.S.				
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

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

3. SEGMENT INFORMATION (Continued)

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	
	2022	2021
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**307**	265
Depreciation of right-of-use assets	**62**	61
Amortisation of intangible assets included in administrative expenses	**5**	5
Inventories provisions, net, included in cost of sales	**9**	57
Impairment loss recognised in respect of property, plant and equipment	**1**	1
Impairment loss recognised in respect of intangible assets	**—***	—
Reversal of impairment losses on trade receivables, net, included in administrative expenses	**(1)**	(5)
Lease payments not included in the measurement of lease liabilities	**70**	59
Research and development expenses	**91**	74
Staff costs (excluding directors' remuneration)	**2,036**	1,926
Legal contingencies	**3**	173
Gain upon modification of defined benefit plans	**—**	(105)
(Gain) loss on disposal of property, plant and equipment, net	**1**	(1)
Fair value gain on financial assets at fair value through profit or loss	**(5)**	(17)

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

* Less than US$1 million.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

5. TAXATION

	Six months ended 30 June	
	2022	2021
	US$'million	US$'million
	(Unaudited)	(Unaudited)
China income tax	**120**	98
U.S. income tax	**110**	30
Europe income taxes	**16**	15
Other income taxes	**—***	2
Withholding tax	**26**	32
Deferred taxation	**(16)**	30
	256	207

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 2022, the shareholders of the Company approved the payment of a final dividend of HK$0.14 per Share (year ended 31 December 2020: HK$0.125 per Share) of the Company for the year ended 31 December 2021, as recommended by the Board, which was paid in cash to the shareholders of the Company on 7 July 2022, whose names appeared on the register of members of the Company on 13 June 2022.

The Board declared an interim dividend of HK$0.05 per Share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK$0.05 per Share) to the shareholders of the Company whose names appear on the register of members of the Company on 2 September 2022. The dividend is to be paid in cash to the shareholders of the Company on or about 30 September 2022.

* Less than US$1 million.

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	
	2022	2021
	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	**759**	652

	Six months ended 30 June	
	2022	2021
	million shares	million shares
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per Share	**12,830.22**	14,745.66
Effect of dilutive potential ordinary shares: share options	**—**	39.62
Weighted average number of ordinary shares for the purpose of diluted earnings per Share	**12,830.22**	14,785.28

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

During the six months ended 30 June 2022, the Group incurred US$540 million (six months ended 30 June 2021: US$245 million) on the additions of items of property, plant and equipment.

During the six months ended 30 June 2022, the Group incurred US$18 million (six months ended 30 June 2021: US$25 million) on the additions to properties under development.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

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 2022 Head' million (Unaudited)	31 December 2021 Head' million (Audited)
Live hogs		
— suckling	2	2
— nursery	2	2
— finishing	9	9
	13	13
Breeding stock (hogs)	1	1
	14	14
Broilers	18	11
Breeding stock (poultry)	2	2
	20	13

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

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of hogs and poultry. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular 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, disease controls and insurance.

9. BIOLOGICAL ASSETS (Continued)

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Current assets	1,428	1,263
Non-current assets	179	168
	1,607	1,431

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 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Raw materials	1,117	1,222
Work in progress	195	145
Finished goods	1,769	1,258
	3,081	2,625

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Trade receivables	1,258	1,070
Impairment	(13)	(14)
	1,245	1,056
Bills receivable	7	8
	1,252	1,064

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 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Within 30 days	1,128	912
31 to 90 days	122	142
91 to 180 days	2	9
Over 180 days	—*	1
	1,252	1,064

* Less than US$1 million.

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 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Within 30 days	**953**	1,127
31 to 90 days	**10**	13
91 to 180 days	**1**	4
181 to 365 days	**2**	5
	966	1,149

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

13. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Accrued staff costs	523	609
Deposits received	91	99
Sales rebates payables	203	223
Payables in respect of acquisition of property, plant and equipment	265	157
Accrued insurance	144	151
Interest payable	25	23
Balance of contingent consideration in respect of acquisition of subsidiaries	191	177
Growers payables	45	45
Pension liability	24	24
Derivative financial instruments	19	3
Accrued professional expenses	12	7
Accrued rent and utilities	41	35
Dividend payables	281	60
Contract liabilities	526	523
Other accrued expenses	456	500
Other payables	259	118
	3,105	2,754
Analysed for reporting purposes as:		
Current liabilities	2,709	2,371
Non-current liabilities	396	383
	3,105	2,754

14. BORROWINGS

	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	**597**	597
5.200% senior unsecured notes due April 2029	**396**	396
3.000% senior unsecured notes due October 2030	**491**	490
2.625% senior unsecured notes due September 2031	**491**	490
	1,975	1,973
Commercial papers (Note i)	**12**	—
Bank loans (Note ii):		
Secured	**94**	5
Unsecured	**1,802**	2,033
Loans from third parties (Note iii):		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings	**3,886**	4,014
The borrowings are repayable as follows (Note iv):		
Within one year	**788**	874
One to two years	**128**	24
Two to five years	**1,591**	1,141
After five years	**1,379**	1,975
	3,886	4,014
Less: Amounts due within one year shown under current liabilities	**(788)**	(874)
Amounts due after one year	**3,098**	3,140
Total borrowings:		
At fixed rates	**2,647**	2,515
At floating rates	**1,239**	1,499
	3,886	4,014

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

14. BORROWINGS (Continued)

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. The maximum issuance capacity under the program is US$1,750 million. As at 30 June 2022, commercial papers of US$12 million were outstanding (31 December 2021: Nil).

ii. Fixed rate bank loans carry interest at fixed rates ranging from 1.30% to 5.80% per annum (31 December 2021: from 1.80% to 5.80% per annum) and floating rates ranging from LIBOR + 1.25% to WIBOR + 1.25% per annum at 30 June 2022 (31 December 2021: LIBOR + 0.50% to ROBOR + 0.80% per annum).

iii. Loans from third parties carry interest at fixed rate of 0.90% per annum at 30 June 2022 (31 December 2021: 0.90% per annum).

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

Certain borrowings as at 30 June 2022 are secured by the Group's pledged bank deposits of US$3 million (31 December 2021: US$3 million).

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 had no material default in payment of the bank borrowings, nor did it breach any relevant financial covenants for the six months ended 30 June 2022 and the year ended 31 December 2021.

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of Smithfield, has a securitisation facility that will mature in November 2023. 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 condensed consolidated statement of financial position of the Group. However, 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 were to become insolvent. As at 30 June 2022, the SPV held US$751 million (31 December 2021: US$632 million) of trade receivables and had outstanding borrowings of US$90 million (31 December 2021: US$26 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at 30 June 2022 and 31 December 2021.

15. 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, and pension benefits provided by the Group are currently organised primarily through defined benefit pension plans. 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 plans, the employees are entitled to retirement benefits based on final average salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

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. 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 policy for the plans is consistently applied at 30 June 2022 and 31 December 2021.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2021 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.

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined Contribution Plans

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund Scheme (the "MPF") in Hong Kong. The assets of the MPF 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 vest 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 obligations of the Group with respect to the retirement benefits scheme are to make the required contributions under the scheme.

The Group's employees in Europe participate in pension scheme and retirement plan implemented by the respective local government. The Group makes contribution as required by the retirement plan.

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 participant's contribution and cannot exceed the maximum allowable for tax purposes.

The amount charged to profit or loss of approximately US$77 million during the six months ended 30 June 2022 (six months ended 30 June 2021: US$51 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. BUSINESS COMBINATIONS

Information on prior year acquisition

Acquisition of MECOM GROUP s.r.o., Schneider Food, s.r.o., and Kaiser Food Kft. (collectively, "Mecom Group")

On 17 June 2021, the Group completed the acquisition of 100% of the equity interests in Mecom Group from an independent third party. Mecom Group has two meat processing plants in Slovakia and two specialised sites in Hungary that produce salami and other packaged meat products.

Acquisition of Granjas Carroll de Mexico (collectively, "GCM Group")

On 7 July 2021, the Group acquired the additional 16% of the equity interests from the joint venture partner of GCM Group to increase the Group's equity interest in GCM Group from 50% to 66%. GCM Group is a main producer of hogs in Mexico and participates in hog processing.

16. BUSINESS COMBINATIONS (Continued)

Information on prior year acquisition (Continued)

Fair value assessments

The fair values of the identifiable assets and liabilities acquired during the year ended 31 December 2021 as their respective dates of acquisition are set out below:

	Mecom Group US$'million	GCM Group US$'million	Total US$'million
Property, plant and equipment	45	390	435
Intangible assets	7	—	7
Biological assets	—	101	101
Inventories	15	24	39
Trade and bills receivables	13	18	31
Prepayments, other receivables and other assets	—*	13	13
Other current assets	—	2	2
Other non-current assets	—	—*	—*
Cash and bank balances	1	17	18
Trade payables	(14)	(21)	(35)
Accrued expenses and other payables	(3)	(6)	(9)
Borrowings	—	(123)	(123)
Deferred taxations	—	(70)	(70)
Other liabilities	(11)	(1)	(12)
Total identifiable net assets at fair value	53	344	397
Goodwill	4	71	75
	57	415	472

* Less than US$1 million.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

16. BUSINESS COMBINATIONS (Continued)

Information on prior year acquisition (Continued)

Fair value assessments (Continued)

	Mecom Group US$'million	GCM Group US$'million	Total US$'million
Satisfied by:			
Cash	57	18	75
Deferred payment	—	63	63
Non-cash consideration	—	27	27
Redeemable non-controlling interest	—	141	141
Fair value of a pre-existing interest	—	166	166
	57	415	472
Analysis of the cash flows in respect of the acquisition is as follows:			
Cash consideration	(57)	(18)	(75)
Cash and bank balances acquired	1	17	18
Net outflow of cash and cash equivalents in cash flows used in investing activities	(56)	(1)	(57)
Transaction costs paid during the year included in cash flows from operating activities	—*	—*	—*
	(56)	(1)	(57)

Finalisation of purchase price allocation during the six months ended 30 June 2022

During the six months ended 30 June 2022, purchase accounting adjustment with an increase of US$4 million to goodwill was made by the Group upon finalisation of the purchase price allocation of the acquisition of Mecom Group. The directors of the Company considered the adjustment was insignificant to the consolidated statement of financial position, and, as such, did not retrospectively apply the adjustment to restate the balances as at 31 December 2021.

* Less than US$1 million.

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 US$'million (Unaudited)	31 December 2021 US$'million (Audited)
Contracted but not provided for, in respect of:		
Capital contribution to a joint venture	**156**	165
Acquisition of property, plant and equipment	**415**	564

18. ASSETS HELD FOR SALE

On 25 May 2022, the Group made the decision to dispose of the harvest and processing facility in Vernon, California in the U.S. held by Clougherty Packing, LLC, a wholly owned subsidiary of the Group. The sale of these assets is expected to be completed within the next 12 months. The carrying amount of property, plant and equipment, together with associated liabilities, of the facility of US$128 million were classified as assets held for sale and included in the current portion of "prepayment, other receivables and other assets", and the associated exit cost liability of US$9 million were included in current portion of "accrued expenses and other payables" as at 30 June 2022.

19. 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.

Expenses and other liabilities associated with these claims will not adversely 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.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

19. REGULATIONS AND CONTINGENCIES (Continued)

Anti-trust Litigation

Smithfield, a wholly-owned subsidiary of the Company, has been named as one of 16 defendants in a series of purported class actions alleging anti-trust violations in the pork industry (the "Anti-trust Litigation"). The purported class cases have been filed by three different class of named plaintiffs: (i) direct purchasers (companies that purchase pork products directly from pork producers), (ii) commercial and institutional indirect purchasers (companies such as restaurants and hotels that purchase pork from wholesalers for resale), and (iii) consumer indirect purchasers (such as people who purchase pork at grocery stores). In all of these cases, the plaintiffs alleged that starting in 2009 and continuing through at least June 2018, the defendant pork producers agreed to reduce the supply of hogs in the United States in order to raise the price of hogs and all pork products. The plaintiffs in all of these cases also challenged the defendant pork producers' use of benchmarking reports from defendant Agri Stats, Inc., alleging that the reports allowed the pork producers to share proprietary information and monitor each producer's compliance with the supposed agreement to reduce supply. The direct purchasers seek treble damages, attorneys' fees, and costs under the federal anti-trust laws of the United States and the two groups of indirect purchasers seek treble damages, attorneys' fees, and costs under various state anti-trust and consumer-protection statutes of the United States.

In the fall of 2018, Smithfield joined with the other defendants in filing two joint motions to dismiss and also filed its own individual motion to dismiss. On 8 August 2019, the court granted the defendants' two joint motions to dismiss and dismissed all plaintiff's claims in all cases without prejudice. The court granted plaintiffs in all cases permission to file an amended complaint within 90 days. The plaintiffs filed amended complaints. Smithfield again joined with the other defendants in filing two joint motions to dismiss the amended complaints. Additionally, Smithfield filed its own individual motion to dismiss the amended complaints.

On 16 October 2020, the court mostly denied the defendants' renewed motions to dismiss, except it dismissed all claims against Indiana Packers Corporation, dismissed damages claims arising from certain time periods as barred by the statute of limitations, certain state law claims in the indirect purchaser suits, and a claim under Puerto Rico law.

In addition to the putative class actions filed in 2018, Smithfield has been named as a defendant in similar anti-trust lawsuits brought by a number of individual purchasers and not on behalf of a class. The plaintiffs in these non-class cases assert the same anti-trust claims as the plaintiffs in the putative class actions and filed amended complaints. The Attorneys General for the States of New Mexico and Alaska have each filed a similar complaint on behalf of their respective states, its agencies and its citizens.

19. REGULATIONS AND CONTINGENCIES (Continued)

Anti-trust Litigation (Continued)

Under an agreement dated 29 June 2021, the Group has agreed to settle all direct-purchaser class claims for a single payment up to US$83 million. The terms of the settlement were approved by the federal court in Minnesota following notice to all class members. Due to the number of class members who elected to opt out of the settlement, under the terms of the settlement agreement, the final settlement amount was US$77 million.

Under an agreement dated 19 March 2022, the Group agreed to settle all commercial and institutional indirect purchaser class claims for a single payment of US$42 million. The terms of the settlement are subject to court approval following notice to class members.

Under an agreement dated 4 August 2022, the Group agreed to settle all consumer indirect purchaser class claims for a single payment of US$75 million. The terms of the settlement are subject to court approval following notice to class members.

The Group intends to vigorously defend against the remaining claims on the Anti-trust Litigation.

Maxwell Foods Litigation

On 13 August 2020, Maxwell Foods, LLC ("Maxwell") filed a complaint against Smithfield in the General Court of Justice, Superior Court Division for Wayne County, North Carolina. The complaint alleged that Smithfield breached the Production Sales Agreement ("PSA") between the parties (as well as the duty of good faith and fair dealing): (i) by failing to provide Maxwell with the same pricing as other major hog suppliers in violation of a purported "Most-Favored-Nation Provision" found in a 6 December 1994 letter to Maxwell; (ii) by failing to comply with an implicit duty to negotiate the PSA to provide alternative pricing to Maxwell when the Iowa-Southern Minnesota market allegedly ceased to be viable; and (iii) by failing to purchase Maxwell's entire output of hogs since April 2020.

Smithfield filed a notice of removal to the United States District Court of the Eastern District of North Carolina. Smithfield also filed a motion to dismiss several of Maxwell's claims. On 22 February 2021, the U.S. District Court granted Maxwell's motion to remand the case to the Superior Court of Wayne County and left Smithfield's partial motion to dismiss the complaint for consideration by the state court in Wayne County.

On 1 March 2021, Maxwell filed an amended complaint, which added a claim under the North Carolina Unfair and Deceptive Trade Practices Act. Smithfield filed a notice of designation seeking assignment of the case to the North Carolina Business Court. Maxwell objected to such designation, and on 13 April 2021 the Business Court overruled Maxwell's objection.

The Business Court has dismissed two of Maxwell's claims: the implied duty to negotiate claim and the UDTPA claim. The "Most-Favored-Nation Provision" claim and the claim that Smithfield failed to purchase Maxwell's entire output of hogs since April 2020 remain. The parties are engaging in electronic discovery.

The Group intends to vigorously defend against these claims.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

19. REGULATIONS AND CONTINGENCIES (Continued)

Barden Hog Farm Litigation

On 18 May 2020, a claim was filed by 20 plaintiffs in the U.S. District Court for the Eastern District of North Carolina against Smithfield and Murphy-Brown LLC, a wholly-owned subsidiary of Smithfield. The claims all arise from hog farms in Magnolia, Duplin County, which purportedly allow “odor, urine, feces, manure, flies and other vectors to trespass onto Plaintiffs’ properties.” Counts brought by the plaintiffs are trespass, negligence, civil conspiracy, unfair and deceptive trade practices, and unjust enrichment.

On 13 July 2020, Smithfield filed a motion to dismiss to narrow plaintiffs’ legal theories, and a motion to strike certain objectionable allegations in the plaintiffs’ complaint. The plaintiffs voluntarily dismissed their unfair and deceptive trade practices claims, and on 15 March 2021, the court granted in part and denied in part the motion to dismiss, dismissing plaintiffs’ civil conspiracy and unjust enrichment claims with prejudice. The court also denied the defendants’ motion to strike certain objectionable allegations in the complaint.

The Group intends to vigorously defend against these claims.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate 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 the management of the Company has assessed that the fair values of non-current financial assets and financial liabilities approximately to their carrying amount. The Group’s own non-performance risk for non-current financial liabilities as at 30 June 2022 was assessed to be insignificant.

Fair value measurements recognised in the condensed 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).

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position (Continued)

	At 30 June 2022			
	Level 1 US$'million (Unaudited)	**Level 2 US$'million (Unaudited)**	**Level 3 US$'million (Unaudited)**	**Total US$'million (Unaudited)**
Financial assets at fair value through profit or loss	**—**	**12**	**93**	**105**
Derivative financial assets	**36**	**31**	**68**	**135**
Other non-current assets	**56**	**111**	**11**	**178**
Financial assets included in prepayments, other receivables and other assets	**—**	**21**	**—**	**21**
	92	**175**	**172**	**439**
Derivative financial liabilities	**43**	**7**	**—**	**50**

	At 31 December 2021			
	Level 1 US$'million (Audited)	Level 2 US$'million (Audited)	Level 3 US$'million (Audited)	Total US$'million (Audited)
Financial assets at fair value through profit or loss	—	12	232	244
Derivative financial assets	37	22	34	93
Other non-current assets	53	114	14	181
Financial assets included in prepayments, other receivables and other assets	—	20	—	20
	90	168	280	538
Derivative financial liabilities	12	3	—	15

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position (Continued)

Financial assets at fair value through profit or loss included (a) unlisted investments in equity securities of which 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 of which fair values are determined based on significant unobservable inputs (Level 3) including expected rate of return of 2.4% to 3.4% (31 December 2021: 1.5% to 4.8%).

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (Level 1) or using 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 market (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 was no transfer between Level 1 and Level 2 fair value measurements during the period, and no transfer into or out of Level 3 fair value measurements during the six months ended 30 June 2022.

Sensitivity analysis

The fair value of financial assets and financial liabilities that are classified as Level 3 is determined by 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.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed 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 period 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 1 January 2021	882	(8)	30
Total gains (losses) recognised in profit or loss included in other gains and (losses)	24	58	(16)
Purchases	1,429	—	—
Disposals	(2,112)	(16)	—
Currency realignment	9	—	—
At 31 December 2021 and 1 January 2022	232	34	14
Total gains (losses) recognised in profit or loss included in cost of sales and other gains and (losses)	5	42	(3)
Purchases	375	—	—
Disposals	(519)	(8)	—
Currency realignment	—*	—	—
At 30 June 2022	93	68	11

* Less than US$1 million.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

20. FAIR VALUE MEASUREMENT OF 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 include 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 30 June 2022

	Gross amounts of recognised financial assets US$'million (Unaudited)	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial assets presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position		Net amount US$'million (Unaudited)
				Financial collateral US$'million (Unaudited)	Cash collateral received US$'million (Unaudited)	
Derivatives	36	(36)	–	66	–	66

	Gross amounts of recognised financial liabilities US$'million (Unaudited)	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position		Net amount US$'million (Unaudited)
				Financial collateral US$'million (Unaudited)	Cash collateral pledged US$'million (Unaudited)	
Derivatives	43	(36)	7	(7)	–	–

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements (Continued)

As at 31 December 2021

	Gross amounts of recognised financial assets US$'million (Audited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Cash collateral received US$'million (Audited)	Net amount US$'million (Audited)
Derivatives	37	(11)	26	(2)	—	24

	Gross amounts of recognised financial liabilities US$'million (Audited)	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged US$'million (Audited)	Net amount US$'million (Audited)
Derivatives	12	(11)	1	(1)	—	—

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2022

21. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with associates/joint ventures during the period under review:

	Six months ended 30 June	
	2022	2021
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Sales of goods to associates	**9**	4
Sales of goods to joint ventures	**13**	8
Purchase of goods/services from associates	**121**	97
Purchase of goods from joint ventures	**12**	11

(b) 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 as follows:

	Six months ended 30 June	
	2022	2021
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Director fees	**—***	—*
Basic salaries and allowances	**5**	5
Performance bonuses	**10**	8
Retirement benefits scheme contributions	**1**	—*
Total compensation paid to key management personnel	**16**	13

* Less than US$1 million.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.05 per Share (2021: HK$0.05 per Share) for the six months ended 30 June 2022 (the "**2022 Interim Dividend**"), representing a total payment of approximately HK$642 million (equivalent to approximately US$82 million) (2021: approximately HK$737 million, equivalent to approximately US$95 million) to the Shareholders. The 2022 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Friday, 2 September 2022 on or about Friday, 30 September 2022. The register of members of the Company was closed from Wednesday, 31 August 2022 to Friday, 2 September 2022, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2022 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 Tuesday, 30 August 2022 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.

DISCLOSURE OF INTERESTS

Directors/Chief Executive Officer

As at 30 June 2022, 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 the Shares

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)	16.91%
	Beneficiary of a trust(2)(3)	1,123,683,441(L)	8.76%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Trustee(4)	631,580,000(L)	4.92%
	Beneficiary of a trust(4)(5)	174,314,729(L)	1.36%
	Beneficial owner	100,000(L)	0.00%
Mr. Wan Hongwei	Beneficial owner	2,500,000(L)	0.02%
Mr. Ma Xiangjie	Trustee(6)(7)	5,029,376,978(L)	39.20%
	Beneficiary of a trust(6)(7)	79,992,007(L)	0.62%
	Interest of spouse(8)	3,000(L)	0.00%

Other Information (Continued)

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 5 November 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 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 Huiying 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]	1.14%
Mr. Guo Lijun	Beneficial owner	40,000,000[L]	0.31%
Mr. Wan Hongwei	Beneficial owner	2,500,000[L]	0.02%
Mr. Ma Xiangjie	Beneficial owner	9,922,417[L]	0.08%
Mr. Charles Shane Smith	Beneficial owner	1,000,000[L]	0.01%

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 Huiying 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 30 June 2022, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer of the Company 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 30 June 2022, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Directors 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:

Interests in the Shares

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Rise Grand[(1)]	Interest in controlled corporation	5,029,376,978[(L)]	39.20%
Mr. Zhang Liwen[(1)]	Trustee	5,029,376,978[(L)]	39.20%
Mr. Liu Songtao[(1)]	Trustee	5,029,376,978[(L)]	39.20%
Heroic Zone[(2)]	Beneficial owner	3,473,820,000[(L)]	27.08%
	Interest in controlled corporation	1,555,556,978[(L)]	12.12%
Xing Tong Limited[(3)]	Beneficiary of a trust	1,245,804,540[(L)]	9.71%
Ms. Wang Meixiang[(4)]	Interest of spouse	3,441,163,848[(L)]	26.82%
Mondrian Investment Partners Limited	Investment manager	773,978,370[(L)]	6.03%

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 30 June 2022, 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 5 November 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.

(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.

(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 30 June 2022, 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 21 January 2014 as amended on 4 April 2014.

The following table discloses details of the Company's outstanding share options held by the Directors, chief executive, 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				
Grantee	**Date of Grant**	**As at 1 January 2022**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2022**
Directors/chief executive						
WAN Long (萬隆)	10 July 2014	146,198,889	–	–	–	146,198,889
GUO Lijun (郭麗軍)	10 July 2014	40,000,000	–	–	–	40,000,000
WAN Hongwei (萬宏偉)	10 July 2014	2,500,000	–	–	–	2,500,000
MA Xiangjie (馬相傑)	10 July 2014	9,922,417	–	–	–	9,922,417
SMITH Charles Shane	10 July 2014	1,000,000	–	–	–	1,000,000
Subtotal						199,621,306
Connected persons						
SULLIVAN Kenneth Marc	10 July 2014	12,000,000	–	–	–	12,000,000
ORGAN Dennis Pat Rick	10 July 2014	1,000,000	–	–	–	1,000,000
ZHANG Taixi (張太喜)	10 July 2014	40,000,000	–	–	–	40,000,000
HE Jianmin (賀建民)	10 July 2014	2,859,963	–	–	–	2,859,963
LIU Hongsheng (劉紅生)	10 July 2014	2,409,963	–	–	–	2,409,963
YU Songtao (余松濤)	10 July 2014	3,009,963	–	–	–	3,009,963
PAN Guanghui (潘廣輝)	10 July 2014	2,425,963	–	–	–	2,425,963
ZHAO Sufang (趙塑方)	10 July 2014	4,009,963	–	–	–	4,009,963
CAO Xiaojie (曹曉杰)	10 July 2014	4,409,963	–	–	–	4,409,963
LI Jun (李駿)	10 July 2014	2,356,469	–	–	–	2,356,469
ZHAO Guobao (趙國寶)	10 July 2014	1,029,988	–	–	–	1,029,988
LI Yong (李永)	10 July 2014	999,976	–	–	–	999,976
QIAO Haili (喬海莉)	10 July 2014	9,922,417	–	–	–	9,922,417
WANG Yufen (王玉芬)	10 July 2014	9,922,417	–	–	–	9,922,417
LIU Songtao (劉松濤)	10 July 2014	5,879,951	–	–	–	5,879,951
HE Shenghua (賀聖華)	10 July 2014	1,500,000	–	–	–	1,500,000
CHAU Ho (周豪)	10 July 2014	3,500,000	–	–	–	3,500,000
Yan Kam Yin (甄錦燕)	10 July 2014	3,000,000	–	–	–	3,000,000
Zhou Feng (周峰)	10 July 2014	3,000,000	–	–	–	3,000,000
Wang Dengfeng (王登峰)	10 July 2014	2,075,990	–	–	–	2,075,990
Subtotal						115,312,986

Other Information (Continued)

Grantee	Date of Grant	Number of Pre-IPO Share Options As at 1 January 2022	Exercised	Cancelled	Lapsed	As at 30 June 2022
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more						
POPE C. Larry	10 July 2014	27,250,000	–	–	–	27,250,000
THAMODARAN Dhamu R.	10 July 2014	7,000,000	–	–	–	7,000,000
LI Hongwei (李紅偉)	10 July 2014	4,000	–	–	–	4,000
WANG Yonglin (王永林)	10 July 2014	4,249,951	–	–	–	4,249,951
FU Zhiyong (付志勇)	10 July 2014	5,879,951	–	–	–	5,879,951
GUO Xinwen (郭新聞)	10 July 2014	4,889,951	–	–	–	4,889,951
Subtotal						49,273,853
Senior management and other employees (in aggregate)	10 July 2014	70,983,492	–	–	709,927	70,273,565
Total		**435,191,637**	**–**	**–**	**709,927**	**434,481,710**

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.

(6) the exercise price of the Pre-IPO Share Option is HK$6.20.

(7) Mr. Liu Songtao is a substantial shareholder of the Company. For further details, please refer to "Substantial Shareholders" above.

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' 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 or she had complied with all required standards set out in the Model Code and the Code of Conduct during the Review Period.

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 CG Code.

UPDATE ON INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors since the date of the 2021 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Lee Conway Kong Wai retired as an independent non-executive Director and ceased to be the chairman of the Audit Committee, and a member of each of the Remuneration Committee, the Food Safety Committee and the Risk Management Committee with effect from 1 June 2022.

(ii) Ms. Zhou Hui has been appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee, the Food Safety Committee and the Risk Management Committee with effect from 1 June 2022. For the biographical details of Ms. Zhou, please refer to the announcement of the Company dated 28 March 2022 in relation to, among others, the change of independent non-executive Director and change of member of Board committees.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Ms. Zhou Hui (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.

On behalf of the Board
Wan Long
Chairman of the Board

Hong Kong, 16 August 2022

GLOSSARY

"Audit Committee"	the audit committee of the Board
"Auspicious Joy"	Auspicious Joy Enterprises Limited, a limited liability company incorporated under the laws of BVI on 8 July 2019
"Board"	the board of Directors of the Company
"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 12 April 2010 and one of the Controlling Shareholders
"Chang Yun Share Plan"	the share plan dated 23 December 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
"CME"	Chicago Mercantile Exchange, Inc.
"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
"Comparable Period"	the period from 1 January 2021 to 30 June 2021
"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, taxes, depreciation and amortization

Glossary (Continued)

"ESG Committee"	the environmental, social and governance committee of the Board
"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 Board
"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 66% interest in GCM as a joint venture as of 30 June 2022
"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 23 July 2007 and one of the Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated 25 December 2009, revised on 17 December 2012 and 11 July 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 6 September 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
"kg"	kilogram
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	5 August 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)
"Mexico"	the United Mexican States
"MOA"	the Ministry of Agriculture of Rural Affairs of the Republic of China
"Model Code"	the 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
"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 30 June 2022
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on 21 January 2014 as amended on 4 April 2014, for the benefit of any Director, employee, advisor, 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 "Other Information — 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 24 July 2014
"Remuneration Committee"	the remuneration committee of the Board
"Review Period"	the period from 1 January 2022 to 30 June 2022
"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 3 July 2007 and one of the Controlling Shareholders
"Risk Management Committee"	the risk management committee of the Board

Glossary (Continued)

"RMB"	Renminbi, the lawful currency of the PRC
"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$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on 15 October 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (Stock code: 000895), and as the context may require, all or any of its subsidiaries
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on 25 July 1997 and an indirect wholly-owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"S&P"	Standard & Poor's Financial Services LLC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on 25 September 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$ or "U.S. dollars""	United States dollars, the lawful currency of the United States
"US cent"	one-hundredth of one US$
"USDA"	United States Department of Agriculture