萬洲國際
WH GROUP

WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

HIGHLIGHTS

	Six months ended June 30, 2020	2019
Key operating data		
Hogs produced (thousand heads)	**10,400**	10,582
Hogs processed (thousand heads)	**22,407**	28,233
Packaged meats sold (thousand metric tons)	**1,575**	1,610

	Six months ended June 30, 2020		2019	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated) **(unaudited)**		*US$ million (unless otherwise stated)* (unaudited)	
Key financial data				
Revenue	**12,481**	**12,481**	11,127	11,127
EBITDA	**1,236**	**930**	1,032	1,163
Operating profit	**925**	**925**	765	765
Profit attributable to owners of the Company	**550**	**317**	463	569
Basic earnings per share (US cents)	**3.73**	**2.15**	3.15	3.87
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Revenue increased by 12.2%
- Operating profit increased by 20.9%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 18.8%

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2020 (the "**Review Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. INDUSTRY OVERVIEW

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

China

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

According to the National Bureau of Statistics of China, the total production of hogs in the Review Period was 251.03 million heads, 19.9% lower than 313.46 million heads for the six months ended June 30, 2019 (the "**Comparable Period**"). The total production of pork was 19.98 million tons, a decrease of 19.1% as compared to 24.70 million tons in the Comparable Period. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**MOA**"), the average hog price during the Review Period was RMB33.95 (approximately US$4.82) per kilogram ("**kg**"), an increase of 137.0% over that of the Comparable Period. The main driving factor of the industrial trends above was the enduring effect of African Swine Fever ("**ASF**").

The reduction of supplies and elevation of prices as a result of ASF changed the landscape of the industry, harmed the operation of processors and affected the daily consumption and livelihood of the people. To restore production and curb soaring hog (therefore pork) prices, the government adopted various measures. As a result, the number of breeding sows bottomed out since last October as disclosed by MOA. Looking onward, the supplies of market hogs will be subject to the next development of ASF and the progress of industrial consolidation.

During the Review Period, the industry was also challenged by the outbreak of coronavirus disease 2019 ("**COVID-19**") pandemic in terms of prevention of infection and curtailment of business interruptions. On a positive note, the impact of COVID-19 on pork demand was limited given the importance of pork in Chinese diet. Resumption and continuation of production was well supported by the government as stability of food supplies was highly valued during the pandemic.

Amidst the resilient demand and relatively high prices, the importation of pork remained very conducive in the Review Period. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork in the Review Period was 2.82 million tons, 1.0 times higher than that of the Comparable Period. Key importing regions to China were European Union, the U.S. and Brazil in descending order of volume. Benefiting from the U.S.-China Phase One Economic and Trade Agreement, the volume of U.S. imports grew significantly during the Review Period.

U.S.

The U.S. is the second largest producer of pork worldwide. In contrast to the pork industry in China, the pork industry in the U.S. is relatively mature and concentrated. As the U.S. is also the largest pork exporter globally, the hog prices and pork value in the U.S. are driven by the supply and demand of its domestic and export markets. For 2020, COVID-19 was a significant factor that impacted the industry.

With reference to the statistics of the United States Department of Agriculture (the "**USDA**"), overall animal protein production in the U.S. was slightly up by 0.7% during the Review Period, in which pork rose 2.1%, beef fell 2.7% and broiler rose 3.1%. The increase in overall production was a continuation of the expansion trend that lasted for years but was largely offset by the interruptions caused by COVID-19 in the later half of the Review Period. Over the past few months, capacity utilisation of the processing sector was hindered as meat processors responded to the pandemic by adopting a series of stringent and detailed protocols, processes and protective measures that follow the guidance issued by the Centers for Disease Control and Prevention and the Occupational Safety and Health Administration.

The average hog price, as disclosed by the Chicago Mercantile Exchange, Inc., was US$0.95 per kg during the Review Period due to an abundance of hogs and reduced slaughter activity caused by COVID-19. As a comparison to that of the Comparable Period, it was down by 17.4%. Before the outbreak of COVID-19, hog prices were above the level of previous year as demand outweighed the additional supply brought by expansion of production. Nevertheless, processing capacity was subsequently depressed by the pandemic and the backup of slaughter-ready hogs on farms drove prices down.

As there are global differences in consumer preferences for products and differentials in prices, export markets in the U.S. help to optimise livestock utilisation and maximise value. According to the USDA, the export volume of U.S. pork and offals in the Review Period was up by 28.3%. A portion of such exports were associated with variety meats. Supported by demand, the average pork cutout value for the Review Period, as published by the USDA, decreased slightly by 0.6% over the Comparable Period. Despite the fact that the decrease in pork value lagged the decrease in hog prices, operating margin of processors during the Review Period was negatively impacted by the incremental costs associated with COVID-19.

II. RESULTS OF OPERATIONS

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

	Six months ended June 30,		
	2020	2019	Change
	US$ million	*US$ million*	*%*
Revenue(1)			
— Packaged meats	**5,836**	5,886	(0.8)
— Fresh pork	**5,497**	4,600	19.5
— Hog production	**639**	329	94.2
— Others	**509**	312	63.1
	12,481	11,127	12.2
Operating profit (loss)			
— Packaged meats	**694**	761	(8.8)
— Fresh pork	**220**	103	113.6
— Hog production	**46**	(45)	N/A
— Others(2)	**(35)**	(54)	(35.2)
	925	765	20.9

Notes:

(1) Revenue refers to net external sales.

(2) Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 46.8% (Comparable Period: 52.9%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 75.0% in the Review Period (Comparable Period: 99.5%).

Geographically, our operations in China contributed 41.8% and 59.5% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 33.7% and 55.4%). Contribution of our operations in the U.S. to the revenue and operating profit of the Group in the Review Period were 49.0% and 29.8% (Comparable Period: 57.9% and 38.4%), respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended June 30,		
	2020	2019	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**1,971**	1,732	13.8
U.S.	**3,407**	3,744	(9.0)
Europe	**458**	410	11.7
	5,836	5,886	(0.8)
Operating profit			
China	**417**	288	44.8
U.S.	**243**	446	(45.5)
Europe	**34**	27	25.9
	694	761	(8.8)

In the Review Period, our packaged meats sales volume decreased by 2.2% to 1,575 thousand metric tons. In China, sales volume in the Review Period was 1.5% lower than that of the Comparable Period as consumer market slowed down and production was suspended at the beginning of the outbreak of COVID-19. Along with the containment of COVID-19, market demand and production level recovered gradually. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Driven by expanded marketing input and innovations, sales volume of certain new and core products increased during the Review Period. Sales volume in the U.S. was down by 4.3% during the Review Period as restrictions on social and dining activities under COVID-19 affected the demand from food service channel. On the other hand, our sales volume in Europe increased by 4.6% benefiting from the execution of our growth strategy.

Revenue during the Review Period mildly decreased by 0.8% to US$5,836 million. Revenue in China increased by 13.8% as the impact of price and product mix adjustments outweighed the decrease in sales volume. In the U.S., revenue was down by 9.0% as sales volume and prices were lower as compared to those of the Comparable Period due to demand contraction during the pandemic. In Europe, revenue in the Review Period increased by 11.7% in spite of local currency depreciation as a result of growth in both sales volume and prices.

Operating profit was US$694 million in the Review Period, a reduction of 8.8% from that of the Comparable Period. In China, although cost of our dominant raw material, pork, continued to increase due to supply limitation imposed by ASF, operating profit grew substantially by 44.8% as the benefit of price and product mix adjustments outpaced the impact of unfavorable costs structure. In the U.S., operating profit in the Review Period declined notably by 45.5% primarily due to the impact of COVID-19 which included unfavorable sales, incremental charges on employee protection, workforce stabilisation as well as reserves made on the expected losses relating to the closure of food services. In Europe, our operating profit increased by 25.9% as compared to the Comparable Period because the growth in sales countervailed higher costs and negative foreign exchange impact.

Fresh Pork

	Six months ended June 30,		
	2020	2019	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**2,905**	1,851	56.9
U.S.	**2,107**	2,400	(12.2)
Europe	**485**	349	39.0
	5,497	4,600	19.5
Operating profit (loss)			
China	**102**	125	(18.4)
U.S.	**116**	(15)	N/A
Europe	**2**	(7)	N/A
	220	103	113.6

Total number of hogs processed in the Review Period was 22,407 thousand heads, a decrease of 20.6% over that of the Comparable Period. The decrease was mainly caused by our slaughtering business in China and the U.S.. In China, the number of hogs processed was sharply down by 61.8% to 3,274 thousand heads. During the Comparable Period, we took advantage of our widely established production and logistics facilities to seize the opportunity of the relatively low hog prices to expand our production scale. However, as the impact of ASF manifested, our volume in the Review Period was constrained by the reduction in market supplies of live hog and softening in demand. Our processing volume in the U.S. was also down by 6.0% as capacity utilisation was held back by temporary closure of facilities and implementation of more stringent and detailed protocols, processes and protective measures in response to COVID-19. On the other hand, our processing volume in the Review Period increased by 18.6% in Europe as we integrated the newly acquired capacity.

External sales volume of fresh pork in the Review Period was 1,942 thousand metric tons, 10.2% lower than the level in the Comparable Period. The extent of decrease in fresh pork sales was less than the extent of decrease in hog processing as our business in China achieved remarkable growth of sales of imported pork.

Fresh pork revenue increased by 19.5% to US$5,497 million in the Review Period as revenue in China and Europe grew significantly. In China, revenue rose by 56.9% from that of the Comparable Period because the impact of increase in pork prices surpassed the decrease in sales volume. In Europe, revenue increased by 39.0% as sales volume increased and supply shortage caused by ASF drove up hog prices and therefore meat value. On the other hand, revenue in the U.S. was down by 12.2% primarily due to partial capacity loss and production adjustments between channels as a result of COVID-19.

Our operating profit of fresh pork increased from US$103 million in the Comparable Period to US$220 million in the Review Period. In China, operating profit reduced by 18.4% as we experienced extraordinary market dynamic. Amid the development of ASF, slaughtering scale and operating margin were favorable in the Comparable Period but reversed in the Review Period. Having said that, sales of inventory and imported pork provided important contributions to our performance in the Review Period. In the U.S., operating profit increased and the business turned around during the Review Period primarily due to the widened spread between USDA pork values and costs of live hogs. But such increase was significantly impacted by production inefficiencies and incremental charges related to COVID-19. In Europe, we also turned loss into profit in the Review Period as the increase in raw material costs was compensated by the increase in sales prices.

Hog Production

	Six months ended June 30,		
	2020	2019	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**2**	2	—
U.S.	**605**	302	100.3
Europe	**32**	25	28.0
	639	329	94.2
Operating profit (loss)			
China	**(2)**	(7)	(71.4)
U.S.	**(20)**	(62)	(67.7)
Europe	**68**	24	183.3
	46	(45)	N/A

In the Review Period, hog production volume decreased by 1.7% to 10,400 thousand heads. Revenue from hog production increased significantly by 94.2% to US$639 million as hedging revenue increased in the U.S.. An operating gain of US$46 million was recorded (Comparable Period: operating loss of US$45 million). The turnaround was the result of reduced loss in the U.S. due to hedging gains and increased profit in Europe due to rising hog prices under ASF.

Others

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

During the Review Period, revenue generated by our other businesses amounted to US$509 million, an increase of 63.1% as compared to the Comparable Period. Our poultry business in Europe and China and logistics business in China made a respectable contribution to our other businesses. Our poultry business processed approximately 75.64 million heads of broiler, goose and turkey during the Review Period (Comparable Period: 58.54 million heads). The growth of poultry business is an integral part of our strategy in protein diversification. Our logistics business currently owns 18 logistics centers across 15 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely.

III. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

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

Liquidity

The Group continues to maintain an adequate level of liquidity. As COVID-19 may present unforeseen challenges to our business, we further increased our bank balance and cash as well as unutilised banking facilities during the Review Period to ensure our financial strength and flexibility. As at June 30, 2020, we had bank balances and cash of US$1,463 million (as at December 31, 2019: US$552 million), which were held primarily in Renminbi ("**RMB**"), U.S. Dollar ("**US$**"), Hong Kong Dollar ("**HK$**"), Polish Zloty ("**PLN**") and Romanian Leu ("**RON**"). From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as current financial assets at fair value through profit or loss. As at June 30, 2020, the balance was US$387 million (as at December 31, 2019: US$447 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.8 times as at June 30, 2020 (as at December 31, 2019: 1.7 times). The aggregate amount of unutilised banking facilities as at June 30, 2020 was US$3,862 million (as at December 31, 2019: US$2,874 million).

Cash Flows

We fund our operations principally from cash generated by our operations, bank loans and other debt instruments, as well as equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures, interest and dividend payments and any unexpected cash requirements.

In the Review Period, our net cash from operating activities amounted to US$1,219 million (Comparable Period: US$399 million). The significant increase in cash inflow was mainly caused by the growth in operating profit and reversal of inventory increase. Our net cash used in investing activities in the Review Period amounted to US$137 million (Comparable Period: US$540 million). The decrease in cash outflow was mainly associated with the completion of an acquisition in Poland during the Comparable Period and the reduction in the investment of financial products during the Review Period. Our net cash used in financing activities in the Review Period amounted to US$176 million (Comparable Period: US$1 million). The increase in cash outflow was mainly due to the decrease in loan proceeds, net of repayments, outpaced the decrease in dividends paid. After all, our net increase in cash and cash equivalents was US$906 million in the Review Period (Comparable Period: net decrease of US$142 million).

Major Financing Activities

On May 17, 2020, the board of directors of Henan Shuanghui Investment & Development Co., Ltd. ("**Shuanghui Development**"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange, resolved to approve the proposed non-public issuance of not more than 331,928,219 new A shares of Shuanghui Development to not more than 35 specific subscribers, to raise a gross proceeds of not more than RMB7,000 million for the primary purpose of expanding our vertical supply chain of poultry and capacity of hog production as well as improving our production process of fresh pork and packaged meats in China (the "**Proposed Non-public Issuance**"). As at the date of this announcement, the Proposed Non-public Issuance has not been completed. For details, please refer to the announcement of the Company dated May 17, 2020.

During the Comparable Period, the Group completed the issuance of 5.200% senior unsecured notes with an aggregate principal amount of US$400 million due 2029 to refinance part of the existing debts and replenish working capital.

Debt Profile

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

	At June 30, 2020 *US$ million*	At December 31, 2019 *US$ million*
Borrowings by nature		
Senior unsecured notes	**1,788**	1,787
Bank borrowings	**1,309**	1,177
Commercial paper	**—**	125
Loans from third parties	**3**	3
Bank overdrafts	**14**	—
	3,114	3,092
Borrowings by geographical region		
U.S.	**2,113**	2,227
China	**912**	680
Europe	**89**	185
	3,114	3,092

The Group's total principal amount of outstanding borrowings as at June 30, 2020 was US$3,132 million (as at December 31, 2019: US$3,110 million). The maturity profile is analysed as follows:

	As a % of total borrowings
In 2020	23%
In 2021	31%
In 2022	13%
In 2023	1%
In 2027	19%
In 2029	13%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 67.9% of our borrowings were denominated in US$ as at June 30, 2020 (as at December 31, 2019: 73.5%). The rest of our borrowings was denominated in RMB, RON, PLN and Euro.

As at June 30, 2020, 99.6% of our borrowings were unsecured (as at December 31, 2019: 98.7%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Leverage Ratios

As at June 30, 2020, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 31.8% and 16.8%, respectively (as at December 31, 2019: 32.7% and 26.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA as at June 30, 2020, before biological fair value adjustments) were 1.1 times and 0.6 times, respectively (as at December 31, 2019: 1.2 times and 1.0 times, respectively).

Finance Costs

Our finance costs were US$68 million in the Review Period, 2.9% lower than that of the Comparable Period. The decrease was mainly due to the benefit of interest rate cuts across different regions.

As at June 30, 2020, the average interest rate of our total borrowings was 3.3% (as at December 31, 2019: 3.7%).

Credit Profile

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

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

IV. HUMAN RESOURCES

We continue to focus on talent management and employee engagement. As at June 30, 2020, we had approximately 102 thousand employees in total, of which approximately 46 thousand employees were with our China operation, approximately 40 thousand and 16 thousand employees were with our U.S. and European operations, respectively. The Group provides training programs to the employees with a view to constantly improve their skills and knowledge. It is also our policy to ensure that remuneration for employees is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses in the Review Period amounted to US$1,915 million (Comparable Period: US$1,833 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonuses; and long term incentives such as share-based payments as well as retirement benefits schemes.

V. BIOLOGICAL ASSETS

As at June 30, 2020, we had a total of 13,832 thousand hogs, consisting of 12,755 thousand live hogs and 1,077 thousand breeding stock, an increase of 3.7% from 13,342 thousand hogs as at December 31, 2019. We also had a total of 7,797 thousand poultry, consisting of 7,118 thousand broilers and 679 thousand breeding stock. The fair value of our biological assets was US$991 million as at June 30, 2020, as compared to US$1,244 million as at December 31, 2019.

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

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a loss in the amount of US$232 million, as compared to a gain in the amount of US$105 million in the Comparable Period.

VI. KEY INVESTMENT INTERESTS

Mexican Joint Ventures

The Group has joint venture interests in two pork companies located in Mexico, Granjas Carroll de Mexico ("**GCM**") and Norson Holdings ("**Norson**"). GCM sells live hogs and fresh pork products into the Mexico City market, one of the largest pork consumption markets in the world. Norson primarily produces hogs for use in its fresh pork operations. During the Review Period, share of loss from these Mexican joint ventures was US$2 million (Comparable Period: share of profits of US$5 million). Share of profits turned into share of loss was mainly driven by the significant decline in hog prices during the Review Period as a result of COVID-19. As at June 30, 2020, GCM and Norson had in aggregate approximately 157 thousand sows on the farms and total processing capacity of 2.6 million hogs in the facilities. It is expected that GCM and Norson will continue to be our important investments in Mexico and bring contributions to the Group.

Joint Ventures in Renewable Gas

The Group has two joint ventures engaged in renewable gas operation in the U.S.. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LCC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. Align and Monarch convert waste from our hog farms in Utah and Missouri to natural gas. As the two major projects in renewable resources of our Group, they will generate economic benefits and contribute to our environmental, social and governance goals.

VII. 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$234 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended June 30,	
	2020	2019
	US$ million	*US$ million*
China	**59**	42
U.S.	**144**	178
Europe	**31**	52
	234	272

During the Review Period, our capital expenditures in China were mainly for the establishment of new poultry production facilities, improvement of processing plants and construction of a new regional headquarter. Our capital expenditures in the U.S. were primarily related to the modernisation of our processing plants and expansion of our value-added packaged meats production capacity. Our capital expenditures in Europe were mainly for plant expansion and improvement projects.

VIII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. During the Review Period, the Group conducted enterprise risk assessments to analyse and report key risks, followed by the establishment of respective mitigation controls.

Commodities Price Risk

Commodities comprise a significant part of the Group's inputs (costs) and outputs (sales). The Group uses various raw materials, primarily live hogs, meat, corn, and soybean meal in our packaged meats, fresh pork, and hog production operations. The Group's revenue is primarily driven by the sale of packaged meats and fresh pork, and, to a lesser degree, sales of hogs to third parties. Significant price fluctuations in these commodities affect our results.

In China, we mitigate the effects of price fluctuations through strategic inventory management, effective transfer of raw material prices to end customers and overseas imports, when appropriate. 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 objectives of hedges are to reduce hog production margin volatility and mitigate commodity price risk associated with forward sales in our packaged meats and fresh pork businesses. While these hedging activities may limit our ability to participate in gains from favorable commodity fluctuations, it also reduces the risk of loss from adverse changes in raw material prices. The Group has robust monitoring procedures in the management of all its derivative activities under the leadership and execution of a dedicated and professional team.

Currency and Interest Rate Risks

The Group generally matches income and expenses, assets and liabilities with the same currency in each geographical location which it operates, to reduce currency risks. Only certain entities of the Group have certain sales, purchases, bank balances and cash and borrowings denominated in currencies other than their functional currencies. We monitor our foreign exchange exposure at any time and hedge significant exposure should the need arise.

Our borrowings carry fixed or floating interest rates. As at June 30, 2020, approximately 87.0% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at December 31, 2019: 77.1%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

IX. 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. Details and updates on the North Carolina nuisance litigation case will be available in the interim report of the Company. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

X. SUSTAINABILITY

Sustainability is an important area of the Group's governance framework. The Board has established an environmental, social and governance committee (the "**ESG Committee**") at the Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee conducted review on the key environmental, social and governance risks and its risk mitigation controls faced by the Group, as well as approved the 2019 Sustainability Report of the Group. The Group's 2019 Sustainability Report was officially released on July 16, 2020.

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are significantly different between the various markets where we have a presence. Under the guidance of the ESG Committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles.

In 2019, the Company was granted A-grade by the Hang Seng Corporate Sustainability Index ratings for a second consecutive year, and was selected as a constituent stock of DJSI (Dow Jones Sustainability Index) Emerging Markets in recognition of the Group's outstanding performance in sustainability.

XI. OUTLOOK

The operating landscape, driven by economic growth, consumers' preference, industry cycle and epidemics, is always impacting our business. In 2020, the overlay effects of COVID-19 pandemic, global economic recession, risky geopolitical relations and continuation of ASF will bring us unprecedented challenges.

In response to COVID-19, we are making every endeavor to protect the safety and health of our employees around the globe. Meanwhile, we are taking various effective measures to minimise the disruption on our daily operations and to assure the continuity of our business. As pork products are consumer staples, the current impact of COVID-19 on the Group is expected to be temporary. Yet we are highly cautious about its latest development and implications.

Facing the other unfavorable factors, we are adequately adjusting our operating strategy to pave way for solid performance and sustainable growth. In China, ASF reshaped the industry. We aim at taking the opportunity of industry consolidation to strengthen our value chain by expanding upstream, upgrading processing capability and diversifying into poultry. Notwithstanding that, packaged meats will remain as our core business. Coupled with our new pricing strategy, we will continue to transform our product portfolio by developing new products and deploying marketing innovations. In the U.S., we concentrate on capitalising our strength in the vertically integrated value chain to enhance profitability. We target to sustain the growth momentum in packaged meats by focusing on the development of value-added product categories. Meanwhile, we will also accelerate the modernisation of processing facilities, manage our risks through effective hedging and enhance our production efficiency and operation quality. In Europe, our operating objective is to strengthen its development by continuous capacity expansion and productivity upgrade.

To conclude, we are a geographically diversified consumer goods company with an integrated value chain and branded packaged meats as our core business. With our stringent quality control and food safety systems, we will provide customers with high quality products. We will also strive to expand globally and further enhance our competitiveness. We believe that the relentless pursuit of our goals will solidify our leadership in the industry and create long-lasting value for its shareholders, employees and communities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2020

		For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	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*	**12,481**	**—**	**12,481**	11,127	—	11,127
Cost of sales		**(10,212)**	**166**	**(10,046)**	(8,967)	302	(8,665)
Gross profit		**2,269**	**166**	**2,435**	2,160	302	2,462
Distribution and selling expenses		**(953)**	**—**	**(953)**	(1,017)	—	(1,017)
Administrative expenses		**(405)**	**—**	**(405)**	(381)	—	(381)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(144)**	**(144)**	—	(172)	(172)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(324)**	**(324)**	—	(2)	(2)
Other income		**40**	**—**	**40**	33	—	33
Other gains and (losses)		**(33)**	**—**	**(33)**	(3)	—	(3)
Other expenses		**(6)**	**—**	**(6)**	(40)	—	(40)
Finance costs		**(68)**	**—**	**(68)**	(70)	—	(70)
Share of profits of associates		**3**	**—**	**3**	1	—	1
Share of (losses) profits of joint ventures		**1**	**(4)**	**(3)**	2	3	5
PROFIT BEFORE TAX	*4*	**848**	**(306)**	**542**	685	131	816
Taxation	*5*	**(173)**	**74**	**(99)**	(120)	(26)	(146)
PROFIT FOR THE PERIOD		**675**	**(232)**	**443**	565	105	670
Other comprehensive income for the period:							
Items that may be reclassified subsequently to profit or loss							
— exchange differences arising on translation of foreign operations				**(120)**			8
— fair value change in cash flow hedge				**149**			214
Other comprehensive income for the period, net of tax				**29**			222
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**472**			892

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

For the six months ended June 30, 2020

		For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Note	**Results before biological fair value adjustments** ***US$'million*** **(Unaudited)**	**Biological fair value adjustments** ***US$'million*** **(Unaudited)**	**Total** ***US$'million*** **(Unaudited)**	Results before biological fair value adjustments *US$'million* (Unaudited)	Biological fair value adjustments *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
Profit for the period attributable to:							
— owners of the Company				**317**			569
— non-controlling interests				**126**			101
				443			670
Total comprehensive income for the period attributable to:							
— owners of the Company				**360**			790
— non-controlling interests				**112**			102
				472			892
EARNINGS PER SHARE							
— Basic	*7*			**US2.15 cents**			US3.87 cents
— Diluted	*7*			**US2.14 cents**			US3.85 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Notes	**June 30, 2020 *US$'million* (Unaudited)**	December 31, 2019 *US$'million* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**5,283**	5,406
Right-of-use assets		**632**	646
Biological assets	*9*	**129**	137
Goodwill		**1,946**	1,955
Intangible assets		**1,698**	1,712
Interests in associates		**42**	42
Interests in joint ventures		**272**	305
Other receivables		**58**	54
Financial assets at fair value through profit or loss		**9**	10
Pledged bank deposits		**6**	4
Deferred tax assets		**52**	66
Other non-current assets		**240**	238
Total non-current assets		**10,367**	10,575
CURRENT ASSETS			
Properties under development	*8*	**101**	102
Biological assets	*9*	**862**	1,107
Inventories	*10*	**2,479**	2,903
Trade and bills receivables	*11*	**919**	1,047
Prepayments, other receivables and other assets		**600**	508
Taxation recoverable		**15**	—
Financial assets at fair value through profit or loss		**387**	447
Pledged/restricted bank deposits		**43**	41
Bank balances and cash		**1,463**	552
Total current assets		**6,869**	6,707
CURRENT LIABILITIES			
Trade and bills payables	*12*	**609**	1,074
Accrued expenses and other payables	*13*	**1,647**	1,686
Lease liabilities		**112**	108
Taxation payable		**123**	96
Borrowings	*14*	**1,267**	905
Bank overdrafts	*14*	**14**	—
Total current liabilities		**3,772**	3,869
NET CURRENT ASSETS		**3,097**	2,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,464**	13,413

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at June 30, 2020

	Notes	**June 30, 2020** ***US$'million*** **(Unaudited)**	December 31, 2019 *US$'million* (Audited)
NON-CURRENT LIABILITIES			
Other payables	*13*	**240**	189
Lease liabilities		**345**	357
Borrowings	*14*	**1,833**	2,187
Deferred tax liabilities		**627**	660
Deferred revenue		**10**	10
Pension liability and other retirement benefits		**604**	558
Total non-current liabilities		**3,659**	3,961
NET ASSETS		**9,805**	9,452
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**9,041**	8,683
Equity attributable to owners of the Company		**9,042**	8,684
Non-controlling interests		**763**	768
TOTAL EQUITY		**9,805**	9,452

EXTRACTED FROM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020	2019
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**1,219**	399
Net cash flows used in investing activities	**(137)**	(540)
Net cash flows used in financing activities	**(176)**	(1)
Net increase (decrease) in cash and cash equivalents	**906**	(142)
Cash and cash equivalents at beginning of period	**552**	484
Effect of foreign exchange rate changes	**(9)**	(1)
Cash and cash equivalents at end of period	**1,449**	341
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**1,463**	358
Bank overdrafts	**(14)**	(17)
	1,449	341

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

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

The interim financial information for the six months ended June 30, 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets, which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell and certain financial instruments which are measured at fair value. This financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2019.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with *International Financial Reporting Standards* ("**IFRSs**") issued by the IASB, except for adoption of the revised IFRSs as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised IFRSs for the first time for the current period's interim financial information.

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

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors 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, the United States and Europe and the nature of operations as (i) packaged meats, (ii) fresh pork, (iii) hog production and (iv) others.

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

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

(ii) Fresh pork — represents slaughtering, wholesale and retail sales of fresh and frozen meat.

(iii) Hog production — represents hog farming.

(iv) Others — represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics, sales of flavouring ingredients and internally-produced packaging materials, as well as operating finance companies, retail business and biopharmaceuticals, retail of meat related products, sales of properties and corporate expenses incurred by the Group.

Each reportable segment derives its revenue from the sales of products and provision of services based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

Segment results represent the profit earned by each segment before biological fair value adjustments without allocation of other income not attributed to the respective segment, other gains and losses, finance costs and share of profits of associates and joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

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

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

	For the six months ended June 30, 2020				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
China					
Gross segment revenue	1,971	3,423	6	476	5,876
Less: Inter-segment revenue	—	(518)	(4)	(138)	(660)
Revenue	1,971	2,905	2	338	5,216
Reportable segment profit (loss)	417	102	(2)	33	550
United States					
Gross segment revenue	3,408	3,852	1,624	1	8,885
Less: Inter-segment revenue	(1)	(1,745)	(1,019)	—	(2,765)
Revenue	3,407	2,107	605	1	6,120
Reportable segment profit (loss)	243	116	(20)	(63)	276
Europe					
Gross segment revenue	480	725	353	209	1,767
Less: Inter-segment revenue	(22)	(240)	(321)	(39)	(622)
Revenue	458	485	32	170	1,145
Reportable segment profit (loss)	34	2	68	(5)	99
Total					
Gross segment revenue	5,859	8,000	1,983	686	16,528
Less: Inter-segment revenue	(23)	(2,503)	(1,344)	(177)	(4,047)
Revenue#	5,836	5,497	639	509	12,481
Reportable segment profit (loss)	694	220	46	(35)	925
Net unallocated expenses					(13)
Biological fair value adjustments					(306)
Finance costs					(68)
Share of profits of associates					3
Share of profits of joint ventures					1
Profit before tax					542

	For the six months ended June 30, 2019				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
China					
Gross segment revenue	1,732	2,221	19	319	4,291
Less: Inter-segment revenue	—	(370)	(17)	(159)	(546)
Revenue	1,732	1,851	2	160	3,745
Reportable segment profit (loss)	288	125	(7)	19	425
United States					
Gross segment revenue	3,745	3,769	1,500	—*	9,014
Less: Inter-segment revenue	(1)	(1,369)	(1,198)	—*	(2,568)
Revenue	3,744	2,400	302	—*	6,446
Reportable segment profit (loss)	446	(15)	(62)	(75)	294
Europe					
Gross segment revenue	431	559	328	190	1,508
Less: Inter-segment revenue	(21)	(210)	(303)	(38)	(572)
Revenue	410	349	25	152	936
Reportable segment profit (loss)	27	(7)	24	2	46
Total					
Gross segment revenue	5,908	6,549	1,847	509	14,813
Less: Inter-segment revenue	(22)	(1,949)	(1,518)	(197)	(3,686)
Revenue#	5,886	4,600	329	312	11,127
Reportable segment profit (loss)	761	103	(45)	(54)	765
Net unallocated expenses					(13)
Biological fair value adjustments					131
Finance costs					(70)
Share of profits of associates					1
Share of profits of joint ventures					2
Profit before tax					816

* Less than US$1 million.

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

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

Geographical information

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

4. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2020	2019
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**243**	217
Depreciation of right-of-use assets	**73**	56
Amortisation of intangible assets included in administrative expenses	**4**	4
Write-down of inventories included in cost of sales	**128**	12
Impairment loss recognised in respect of property, plant and equipment	**22**	6
Impairment loss recognised in respect of right-of-use assets	**1**	—
Impairment loss recognised in respect of intangible assets	**2**	8
Net allowance on trade receivables	**11**	1
Lease expenses	**42**	38
Research and development expenses	**65**	66
Staff costs (excluding directors' remuneration)	**1,906**	1,821
(Gain) loss on disposal of property, plant and equipment	**(1)**	6
Fair value gain on financial assets at fair value through profit or loss	**(10)**	(13)

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

5. TAXATION

	Six months ended June 30,	
	2020	2019
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
China Enterprise Income Tax	**108**	73
U.S. income tax	**44**	32
Other income taxes	**21**	3
Withholding tax	**24**	12
Deferred taxation	**(98)**	26
	99	146

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 June 2, 2020, the shareholders of the Company approved the payment of a final dividend of HK$0.265 per share (year ended December 31, 2018: HK$0.15 per share) of the Company for the year ended December 31, 2019, as recommended by the Board, which was paid in cash to the shareholders of the Company on July 6, 2020, whose names appeared on the register of members of the Company on June 8, 2020.

The Board declared an interim dividend of HK$0.05 per share for the six months ended June 30, 2020 (six months ended June 30, 2019: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on August 25, 2020. The dividend is to be paid in cash to the shareholders of the Company on or about October 15, 2020.

7. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2020	2019
	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	**317**	569

	Six months ended June 30,	
	2020	2019
	million shares	*million shares*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,727.65**	14,691.64
Effect of dilutive potential ordinary shares: share options	**77.69**	90.46
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,805.34**	14,782.10

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

During the six months ended June 30, 2020, the Group incurred US$200 million (six months ended June 30, 2019: US$281 million) on the additions of items of property, plant and equipment.

During the six months ended June 30, 2020, the Group incurred US$23 million (six months ended June 30, 2019: US$5 million) on the additions to properties under development.

9. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	June 30, 2020 *Head ('000)* **(Unaudited)**	December 31, 2019 *Head ('000)* (Audited)
Live hogs		
— suckling	**1,900**	1,826
— nursery	**2,169**	2,136
— finishing	**8,686**	8,296
	12,755	12,258
Breeding stock (hogs)	**1,077**	1,084
	13,832	13,342
Broilers	**7,118**	5,919
Breeding stock (poultry)	**679**	625
	7,797	6,544

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 and disease controls, surveys and insurance.

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	June 30, 2020 *US$'million* **(Unaudited)**	December 31, 2019 *US$'million* (Audited)
Current	**862**	1,107
Non-current	**129**	137
	991	1,244

Fair value measurement

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

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

10. INVENTORIES

	June 30, 2020 *US$'million* **(Unaudited)**	December 31, 2019 *US$'million* (Audited)
Raw materials	**763**	904
Work in progress	**106**	97
Finished goods	**1,610**	1,902
	2,479	2,903

11. TRADE AND BILLS RECEIVABLES

	June 30, 2020	December 31, 2019
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Trade receivables	**937**	1,049
Impairment	**(22)**	(11)
	915	1,038
Bills receivable	**4**	9
	919	1,047

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

The following is an ageing 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:

	June 30, 2020	December 31, 2019
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Current to 30 days	**785**	879
31 to 90 days	**123**	167
91 to 180 days	**11**	1
	919	1,047

12. TRADE AND BILLS PAYABLES

	June 30, 2020 **US$'million** **(Unaudited)**	December 31, 2019 *US$'million* (Audited)
Trade payables	**609**	1,074

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 ageing analysis of trade payables based on the invoice date:

	June 30, 2020 **US$'million** **(Unaudited)**	December 31, 2019 *US$'million* (Audited)
Within 30 days	**590**	1,045
31 to 90 days	**15**	26
91 to 180 days	**3**	2
181 to 365 days	**1**	1
	609	1,074

13. ACCRUED EXPENSES AND OTHER PAYABLES

	June 30, 2020 US$'million (Unaudited)	December 31, 2019 US$'million (Audited)
Accrued staff costs	**475**	491
Deposits received	**122**	91
Sales rebates payables	**210**	191
Payables in respect of acquisition of property, plant and equipment	**56**	89
Insurance payables	**142**	135
Interest payable	**25**	24
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	10
Growers payables	**42**	43
Pension liability	**18**	18
Amounts due to associates and joint ventures	**8**	15
Derivative financial instruments	**100**	35
Dividend payables	**12**	18
Contract liabilities	**266**	234
Other accrued expenses	**275**	284
Other payables	**126**	197
	1,887	1,875
Analysed for reporting purposes as:		
Current liabilities	**1,647**	1,686
Non-current liabilities	**240**	189
	1,887	1,875

14. BORROWINGS

	June 30, 2020 *US$'million* (Unaudited)	December 31, 2019 *US$'million* (Audited)
Senior unsecured notes		
2.650% senior unsecured notes due October 2021	**399**	399
3.350% senior unsecured notes due February 2022	**398**	398
4.250% senior unsecured notes due February 2027	**596**	595
5.200% senior unsecured notes due April 2029	**395**	395
	1,788	1,787
Commercial papers	**—**	125
Bank loans		
Secured	**11**	38
Unsecured	**1,298**	1,139
Loans from third parties		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings other than bank overdrafts	**3,100**	3,092
Bank overdrafts	**14**	—
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**1,267**	905
One to two years	**807**	421
Two to five years	**33**	773
After five years	**993**	993
	3,100	3,092
Less: Amounts due within one year shown under current liabilities	**(1,267)**	(905)
Amounts due after one year	**1,833**	2,187
Total borrowings other than bank overdrafts:		
At fixed rates	**2,697**	2,385
At floating rates	**403**	707
	3,100	3,092

OTHER INFORMATION

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards set out in the Model Code and the Code of Conduct during the Review Period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review Period.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.05 per share (2019: HK$0.05 per share) for the six months ended June 30, 2020 (the "**2020 Interim Dividend**"), representing a total payment of approximately HK$737 million (equivalent to approximately US$95 million) (2019: approximately HK$736 million, equivalent to approximately US$94 million) to the shareholders of the Company (the "**Shareholders**"). The 2020 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Tuesday, August 25, 2020 on or about Thursday, October 15, 2020. The register of members of the Company will be closed from Wednesday, August 26, 2020 to Friday, August 28, 2020, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2020 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, August 25, 2020 for registration with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2020 interim report of the Company will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, August 11, 2020

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