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WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

	2021	2020
Key operating data		
Packaged meats sold (thousand metric tons)	**3,320**	3,276
Pork sold (thousand metric tons)	**4,362**	3,946

	2021		2020	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated)		*US$ million (unless otherwise stated)*	
Key financial data				
Revenue	**27,293**	**27,293**	25,589	25,589
EBITDA	**2,476**	**2,518**	2,279	2,094
Operating profit	**1,966**	**1,966**	1,729	1,729
Profit attributable to owners of the Company	**1,043**	**1,068**	973	828
Basic earnings per Share (US cents)	**7.37**	**7.55**	6.60	5.62
Dividend per Share (HK$)				
Interim (paid)	**0.05**	**0.05**	0.05	0.05
Final	**0.14**	**0.14**	0.125	0.125
	0.19	**0.19**	0.175	0.175

- Sales volume of packaged meats and pork increased by 1.3% and 10.5% respectively.
- Revenue increased by 6.7%; Operating profit increased by 13.7%.
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 7.2%.
- Basic earnings per Share, before biological fair value adjustments, increased by 11.7%.

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

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

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

The Group operates in multiple regions, including the People's Republic of China ("**China**"), the United States of America (the "**U.S.**"), the United Mexican States ("**Mexico**") and certain selected markets in Europe and Asia. Each region is characterised distinctively whereas all regions are inter-related to certain extent. Amid the aforesaid regions, market dynamics in China, the U.S. and Europe are most important to the results of our Group.

China

China is the largest pork producer and consumption market in the world. Supplies of pork in China is largely dependent on the availability of agricultural resources, government's policies, regulatory environment, animal epidemics and production technology. Given the importance of pork in Chinese diet, demand has always been stable and strong. Coupled with economic growth and improvement of people's living standards, demand for high-quality pork products is expected to expand further.

According to the National Bureau of Statistics of China, the total production of hogs in 2021 was 671 million heads, 27.4% higher than 527 million heads in 2020. The total production volume of pork was 53.0 million tons, an increase of 28.8% as compared to 41.1 million tons in the previous year. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of People's Republic of China ("**MOA**"), the average hog price in 2021 was RMB20.68 (approximately US$3.21) per kg, a noticeable decrease of 39.0% as compared to that of 2020. The main driving factor of the above industrial trends was the weakening of African Swine Fever ("**ASF**") impact in China. As supplies restored, hog prices experienced a rapid decline during the year. The total volume of imported pork in 2021 was 3.7 million tons according to the statistics of the General Administration of Customs of China. As the hog prices trended downwards, the level of imports changed from a year-on-year growth of 108.3% in 2020 to a year-on-year decline of 15.5% in 2021. The key importing regions in 2021 were the European Union (the "**EU**"), the U.S. and Brazil in descending order of volume.

U.S.

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

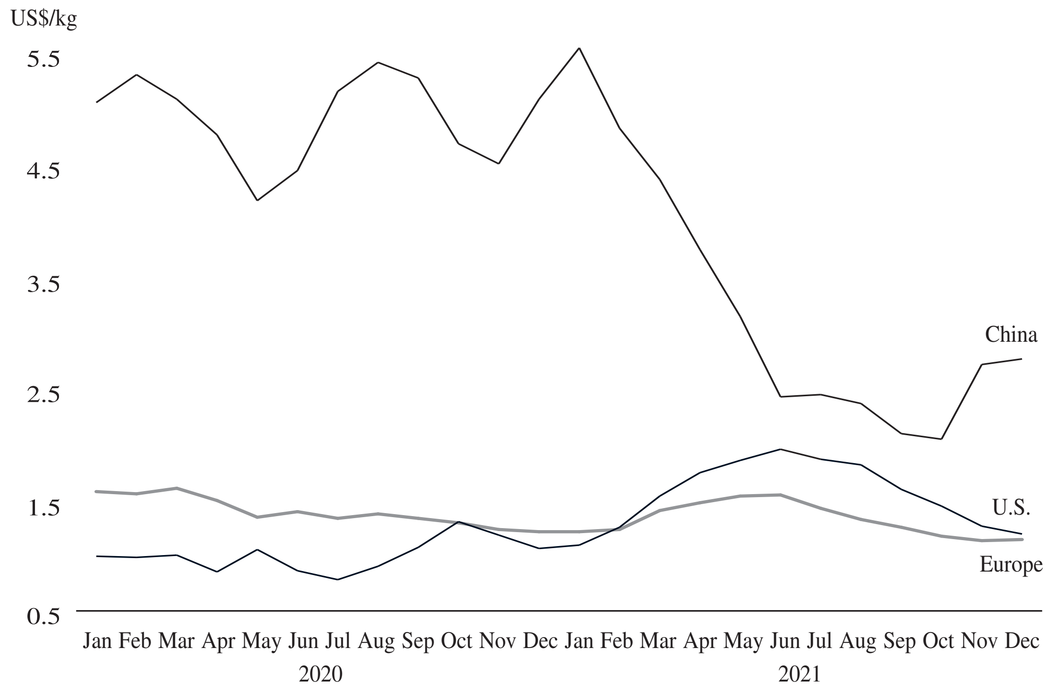
With reference to the statistics of U.S, Department of Agriculture ("**USDA**"), overall animal protein production in the U.S. remained steady with a slight increase of 0.2% in 2021, in which pork decreased by 2.2%, beef increased by 2.8% while chicken increased by 0.7%. The decrease in pork production was mainly due to decline in market hog supplies and labour shortage in processing. Meanwhile, domestic demand was supported by the recovery of consumer markets from coronavirus disease ("**COVID-19**"). Export demand softened year on year but remained at historical high levels. According to the USDA, export volume of U.S. pork and offals decreased by 4.3% to 2.4 million metric tons in 2021. Despite different product preferences and favourable currency movements, U.S. exports to China reduced by 28.4% in the 2021 as price differentials narrowed considerably. On the other hand, exports to South Korea, Colombia and Japan increased, which partially offset the decrease in exports to China. Against the backdrop of tight supplies and robust demand, the average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.55 per kg in 2021, a significant increase of 55.0% over that of 2020. The average pork cut-out value, reported by USDA was US$2.30 per kg in 2021, an increase of 35.1% year over year. As the degree of increase in hog prices largely exceeded the increase in pork values, the market dynamic was unfavourable to processors.

Europe

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

According to the statistics disclosed by the European Commission ("**EC**"), the aggregated pork production of the member states of the EU increased by 2.0% in 2021 over that of 2020 due to higher productivity and animal weights. However, total export volume of the EU decreased by 3.1% in 2021 over that of 2020 as ASF limited its export opportunities and demand from China, a major export destination of EU in previous years, reduced as its local supplies recovered. As a result, the average carcass price in EU decreased by 9.3% to Euro 1.48 (approximately US$1.75) per kg in 2021.

Hog prices in China, the U.S. and Europe during 2020 and 2021



Sources: MOA, CME and EC

II. RESULTS OF OPERATIONS

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

	2021	2020	Change
	US$ million		*%*
Revenue[1]			
— Packaged meats[2]	**13,808**	12,167	13.5%
— Pork[3]	**11,969**	12,296	(2.7%)
— Others[4]	**1,516**	1,126	34.6%
	27,293	25,589	6.7%
Operating profit/(loss)			
— Packaged meats[2]	**1,895**	1,499	26.4%
— Pork[3]	**3**	341	(99.1%)
— Others[4, 5]	**68**	(111)	N/A
	1,966	1,729	13.7%

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 represents ancillary businesses other than packaged meats and pork.

(5) Others' operating profit/(loss) includes corporate expenses.

Packaged meats has always been our core business as it accounted for 96.4% of the Group's operating profit in 2021 (2020: 86.7%). Its contribution to the Group's revenue was 50.6% in 2021 (2020: 47.5%). Our pork business accounted for 0.2% of the Group's operating profit in 2021 (2020: 19.7%). Its contribution to the Group's revenue was 43.9% (2020: 48.1%).

Geographically, our operations in China contributed 38.5% and 47.3% of the revenue and operating profit of the Group in 2021 (2020: 42.3% and 65.9%) respectively. Contribution of our operations in the U.S. and Mexico to revenue and operating profit of the Group in 2021 were 52.0% and 46.7% (2020: 48.3% and 24.0%) respectively. The rest of the revenue and operating profit of the Group was primarily derived from our operations in Europe.

Packaged Meats

	2021	2020	Change
	US$ million		*%*
Revenue			
China	**4,216**	4,037	4.4%
U.S.	**8,512**	7,157	18.9%
Europe	**1,080**	973	11.0%
	13,808	12,167	13.5%
Operating profit			
China	**902**	836	7.9%
U.S.	**885**	571	55.0%
Europe	**108**	92	17.4%
	1,895	1,499	26.4%

In 2021, our packaged meats sales volume increased by 1.3% to 3,320 thousand metric tons. In China, sales volume during the year decreased by 1.6% as consumer market lacked growth momentum. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Sales volume in the U.S. increased by 3.1% in 2021 due to the recovery of food service and industrial demand from COVID-19 as well as our expansion in fresh sausage category. In Europe, our sales volume increased by 12.7% as we benefited from the acquisition of Mecom Group (as defined hereinafter) and achieved solid growth in convenience and smoke categories as well as in certain key brands such as Berlinki and Morliny.

Revenue in 2021 increased by 13.5% to US$13,808 million. Revenue in China increased by 4.4% mainly due to local currency appreciation. In the U.S., revenue increased by 18.9% as sales volume and prices were higher than that of 2020 due to demand growth. In Europe, revenue during the year was up 11.0% primarily due to the increase in sales volume.

Operating profit was US$1,895 million in 2021, an increase of 26.4% from that of 2020. In China, operating profit was 7.9% more than that of 2020 as the decrease in primary raw material costs because of post-ASF hog price corrections countervailed the increase in costs of other ingredients, compensation and marketing expenses. In the U.S., operating profit in 2021 grew significantly by 55.0% primarily due to the increase in sales and reduction of COVID-19 related expenses, which outweighed the increase in raw material costs. In Europe, our operating profit increased by 17.4% as sales increased and raw material costs decreased due to lower hog prices.

Pork

	2021	2020	Change
	US$ million		*%*
Revenue			
China	**5,336**	6,073	(12.1%)
U.S. and Mexico[(1)]	**5,585**	5,169	8.0%
Europe	**1,048**	1,054	(0.6%)
	11,969	12,296	(2.7%)
Operating profit/(loss)			
China	**(53)**	271	N/A
U.S. and Mexico[(1)]	**64**	(33)	N/A
Europe	**(8)**	103	N/A
	3	341	(99.1%)

Note:

(1) Revenue and operating profit of subsidiaries in Mexico were included in 2021 due to the consolidation of GCM as a result of the Increase in Equity Interest in GCM (as discussed hereinafter).

Total number of hogs processed in 2021 was 50,682 thousand heads, an increase of 8.7% over that of 2020. In China, the number of hogs processed significantly increased by 56.8% as hog supplies progressively recovered from ASF and consumer demand was supported by lower pork prices. Our processing volume in the U.S. slightly decreased by 1.0% as market hog supplies tightened and capacity utilisation was hindered by labour availability. In Europe, the number of hogs processed in 2021 increased by 5.4% as we ramped up the capacity utilisation at our plants.

External sales volume of pork was 4,362 thousand metric tons in 2021, 10.5% higher than that of 2020. The increase was mainly driven by the growth of sales in China.

Pork revenue in 2021 decreased by 2.7% to US$11,969 million, as compared to that of 2020. In China, revenue decreased by 12.1% as the impact of lower pork prices surpassed the increase in sales volume. In the U.S. and Mexico, revenue increased by 8.0% due to escalation of sales prices in the U.S. and inclusion of sales of GCM in Mexico during the year. However, such increase was partially offset by lower contribution from our hedging results. In Europe, revenue decreased slightly by 0.6% due to unfavourable sales prices in spite of higher volume sales.

Our operating profit of pork decreased significantly by 99.1% to US$3 million in 2021. In China, we recorded an operating loss of US$53 million in 2021 (2020: operating profit of US$271 million). During the year, although our slaughtering scale expanded, our profitability was adversely affected by substantial value depreciation of locally produced inventories and imported pork because of the rapid and sharp decline in selling prices. In the U.S., operating profit was US$64 million in 2021 (2020: operating loss of US$33 million). The increase in operating profit was primarily due to higher sales and reduction in COVID-19 related expenses, but was partially offset by the unfavourable market dynamic. In Europe, we incurred an operating loss of US$8 million (2020: operating profit of US$103 million), as rising grain prices increased our hog raising costs and pork prices decreased due to ASF.

Others

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

In 2021, revenue generated by our other businesses amounted to US$1,516 million, an increase of 34.6% over the prior year. Our poultry business in Europe and China and logistics business in China made an important contribution to our other businesses. Our poultry business processed approximately 184 million heads of broiler, goose and turkey in 2021, which represented an increase of 12.2% from that of 2020. The growth of poultry business is an integral part of our strategy in protein diversification. Our logistics business currently owns 19 logistics centers across 15 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and pork to customers timely and safely.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment in various parts of the world. As at the year end of 2021, we owned an annual production capacity of packaged meats of approximately 2.06 million metric tons, 1.73 million metric tons and 0.48 million metric tons with utilization rates of 75.8%, 80.1% and 79.5% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Europe were approximately 23.13 million heads, 34.02 million heads and 7.63 million heads, and their utilization rates were 48.1%, 93.2% and 93.5%, respectively in 2021.

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

		2021	2020	Change
Revenue growth rate	%/pp	**6.7**	6.2	0.5
EBITDA (before biological fair value adjustments) ratio margin	%/pp	**9.1**	8.9	0.2
Operating profit margin	%/pp	**7.2**	6.8	0.4
— Packaged meat products	%/pp	**13.7**	12.3	1.4
— Pork	%/pp	**0.0**	2.1	(2.1)
Per unit operating profit				
— Packaged meat products	US$ per metric ton	**570.8**	457.6	113.2
— Pork	US$ per metric ton	**0.7**	86.4	(85.7)
Net profit (before biological fair value adjustments) margin	%/pp	**4.7**	4.8	(0.1)
Current ratio	times	**1.7**	1.9	(0.2)
Cash conversion cycle	days	**39.1**	44.8	(5.7)
Debt to equity ratio	%/pp	**41.4**	24.4	17.0
Debt to EBITDA (before biological fair value adjustments) ratio	times	**1.6**	1.2	0.4
Return on total assets	%/pp	**6.8**	6.1	0.7
Return on equity	%/pp	**11.4**	8.9	2.5

II. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

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

Liquidity

The Group continues to maintain an adequate level of liquidity. As at 31 December 2021, we had cash and bank balances of US$1,556 million (2020: US$1,599 million), which were held primarily in Renminbi ("**RMB**") and U.S. Dollar ("**US$**"). 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 31 December 2021, the balance was US$232 million (2020: US$882 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at 31 December 2021 (2020: 1.9 times). The aggregate amount of unutilised banking facilities of the Group as at 31 December 2021 was US$5,796 million (2020: US$5,032 million).

Cash Flows

We fund the operations of the Group principally by cash generated from our operations, bank borrowings 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, payments of capital expenditures, settlements of interest, distributions of dividend, and any unexpected cash requirements.

In 2021, our net cash from operating activities amounted to US$1,822 million (2020: US$2,357 million). The decrease in cash inflow was mainly due to weaker contribution from the operation in China during 2021. Our net cash used in investing activities in 2021 amounted to US$409 million (2020: US$963 million). The decrease in cash outflow was primarily due to the decrease in investment of financial products despite an increase in capital expenditure. Our net cash used in financing activities in 2021 amounted to US$1,433 million (2020: US$479 million). The increase in cash outflow was mainly due to our Offer (as defined hereinafter), but was partially offset by the decrease in payment of dividends and increase in borrowings. As such, our net decrease in cash and cash equivalents was US$20 million in 2021 (2020: net increase of US$915 million).

Credit Profile

The Group aims at maintaining a good credit profile for both the Company and its subsidiaries that is beneficial to their 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.

Share Repurchase

On 6 June 2021, the Company announced a conditional voluntary cash offer to buy-back, subject to certain conditions, for cancellation up to the maximum number, being 1,916,937,202 shares of the Company (the "**Shares**"), representing approximately 13.0% of the then issued share capital (the "**Offer**") of the Company, at a cash consideration of HK$7.80 per Share to return capital to the shareholders of the Company (the "**Shareholders**") and optimise its capital structure. The Offer provided an opportunity for the Shareholders either to tender Shares to realise part of their investments in the Company at a premium to then market prices and to the Group's net asset value per Share, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the prospects of the Group.

On 16 August 2021, the Offer became unconditional as all the conditions of the Offer were fulfilled. As a result, 1,916,937,202 Shares were bought back by the Company and cancelled on 8 September 2021. The total consideration paid by the Company for buying back such 1,916,937,202 Shares was approximately HK$14,952 million which was funded partly by internal resources of the Group and partly by a Committed Facility (as defined hereinafter) available to the Group.

Major Financing Activities

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

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

On 13 September 2021, the Group completed the issuance of 2.6250% senior unsecured notes with an aggregate principal amount of US$500 million due 2031 for refinancing certain existing borrowings and replenishing working capital.

Debt Profile

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

	As at 31 December 2021	As at 31 December 2020
	US$ million	*US$ million*
Borrowings by nature		
Senior unsecured notes	**1,973**	2,098
Bank borrowings	**2,038**	535
Loans from third parties	**3**	3
Bank overdrafts	**—**	46
	4,014	2,682
Borrowings by geographical region		
U.S. and Mexico	**1,995**	2,098
China	**1,877**	538
Europe	**142**	46
	4,014	2,682
Borrowings by currency		
US$	**2,195**	2,099
HK$	**1,135**	—
RMB	**539**	535
Other currencies	**145**	48
	4,014	2,682

The Group's total principal amount of outstanding borrowings as at 31 December 2021 was US$4,049 million (2020: US$2,706 million). The maturity profile is analysed as follows:

	Total
In 2022	22%
In 2023	1%
In 2025	28%
In 2027	15%
In 2029	10%
In 2030	12%
In 2031	12%
	100%

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

Leverage Ratios

As at 31 December 2021, 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 41.4% and 25.4%, respectively (2020: 24.4% and 9.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings less cash and bank balances to EBITDA before biological fair value adjustments) as at 31 December 2021 were 1.6 times and 1.0 times, respectively (2020: 1.2 times and 0.5 times, respectively).

Finance Costs

Our finance costs increased by 3.0% to US$139 million in 2021 mainly due to the increase in the amount of borrowings.

As at 31 December 2021, the average interest rate of our borrowings was 2.7% (2020: 3.5%).

III. CAPITAL EXPENDITURES

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

In 2021, capital expenditures amounted to US$933 million (2020: US$572 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2021	2020
	US$ million	*US$ million*
China	**647**	172
U.S. and Mexico	**207**	318
Europe	**79**	82
	933	572

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

IV. HUMAN RESOURCES

As at 31 December 2021, the Group had approximately 107 thousand employees in total, in which approximately 50 thousand employees were with our China operation, approximately 40 thousand were with our U.S. and Mexico operations and approximately 17 thousand employees were with our European operations, respectively. We value talent management and employee engagement. Therefore, with a view to constantly improving the skills and knowledge of our employees, we provide adequate training programs. It is also our policy to ensure that compensation for employees which included fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement, medical and other benefits, is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses of the Group in 2021 amounted to US$3,862 million (2020: US$3,988 million). Such decrease was mainly due to lower incremental costs associated with COVID-19 despite higher inflation pressure.

V. BIOLOGICAL ASSETS

As at 31 December 2021, we had a total of 14,135 thousand hogs, consisting of 12,969 thousand market hogs and 1,166 thousand breeding stock, an increase of 5.0% from 13,463 thousand hogs as at 31 December 2020. We also had a total of 12,663 thousand poultry, consisting of 11,141 thousand broilers and 1,522 thousand breeding stock, an increase of 34.2% from 9,439 thousand poultry as at 31 December 2020. The fair value of our biological assets was US$1,431 million as at 31 December 2021, as compared to US$1,182 million as at 31 December 2020.

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

In 2021, the net impact of biological fair value adjustments on our profit was a gain in the amount of US$21 million, as compared to a loss in the amount of US$145 million of last year.

VI. KEY INVESTMENT INTERESTS

Acquisition of Subsidiaries

On 17 June 2021, the Group completed the acquisition of 100% of the equity interests in MECOM GROUP s.r.o., Schneider Food, s.r.o. and Kaiser Food Kft. (collectively, "**Mecom Group**"). Mecom Group has two meat processing plants in Slovakia and two specialised sites in Hungary that produce salami and other meat products. It markets several brands including Mecom, Csabahus, Kaiser and Schneider in Slovakia, Hungary and Czech Republic. It is expected that the acquisition of Mecom Group would bring synergies between our operating entities in Europe and facilitate the Group to build its strategic footprint in Central Europe.

On 7 July 2021, the Group completed the increase of our equity interest in Granjas Carroll de Mexico S. de R.L. de C.V. ("**GCM**") from 50% to 66% and commenced consolidation of its results (the "**Increase in Equity Interest in GCM**"). GCM is a key hog producer in Mexico which sells live hogs into one of the largest pork consumption markets in the world, Mexico City. It also operates a processing plant with an annual production capacity of approximately 1.00 million hogs. As an important investment of the Group in Mexico, GCM is expected to play a major role in the Group's development of the North American market.

Investment in Joint Ventures

The Group has multiple joint venture interests. In the U.S., we have two joint ventures engaged in renewable natural gas operation. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LCC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. Align and Monarch convert waste from hog farming operations in Utah and Missouri into clean energy for homes, businesses and transportation.

In 2021, Align fully completed the construction of its operating plant and Monarch completed two additional projects for a total of eight projects in operation. The Group will continue to invest in such projects and expect them to generate economic benefits as well as contribute to our environmental, social and governance goals.

On 17 February, 2022, Monarch issued additional shares representing a 33% interest in Monarch to an independent third party, TPG Rise Monsoon, LP. As a result, our ownership interest in Monarch was reduced from 50% to 33%.

In Mexico, we have joint venture interest in an integrated hog producer and processor, Norson Holding, S. de R.L. de C.V. ("**Norson**"). As at the end of 2021, it owned approximately 55 thousand sows and has the facilities that process approximately 1.40 million hogs per annum. It is expected that Norson will continue to be one of our important investments in Mexico.

VII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2021, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management ("**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group is effectively in place.

Commodities Price Risks

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

In China, we mitigate the effects of price fluctuations through strategic inventory management, effective transfer of raw material prices to end customers and overseas imports. In the U.S., our vertically integrated supply chain helps the natural hedge of commodities price changes. These commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risk. The main objective of hedges is to mitigate commodity price risk associated with the raw material costs and forward sales of our packaged meats and pork businesses. While these hedging activities may limit our ability to participate in gains from favorable commodity fluctuations, it also reduces the risk of loss from adverse changes in raw material prices. The Group has robust monitoring procedures in the management of all its derivative activities under the leadership and execution of a dedicated and professional team.

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at 31 December 2021, approximately 62.7% of our borrowings (other than bank overdrafts) were at fixed interest rates (2020: 98.6%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

VIII. CONTINGENT LIABILITIES

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

Smithfield has been named as one of 16 defendant pork producers in a series of purported class actions filed by three groups of plaintiffs (namely the direct purchasers, commercial indirect purchasers and individual indirect purchasers), alleging anti-trust violations in the pork industry starting in 2009 and continuing through at least June 2018 for agreeing to reduce the supply of hogs in the U.S. to raise the price of hogs and all pork products. Smithfield was also named as a defendant in similar anti-trust lawsuits brought by a number of individual purchasers and not on behalf of a class. These plaintiffs seek treble damages, attorneys' fees, and costs under various anti-trust laws and consumer-protection statutes of the U.S. (the "**Anti-trust Litigations**").

Under an agreement dated 29 June 2021, Smithfield agreed to settle all claims by the direct purchaser class for a single payment of US$83 million. The terms of the settlement were approved by the court following notice to all class members and a finalised settlement amount was paid by Smithfield in 2021.

Under an agreement dated 19 March 2022, the Company agreed to settle class claims by the commercial indirect purchasers for a single payment of US$42 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. We established a reserve for estimated losses and expenses to defend against these claims in 2020, which was subsequently reevaluated and increased in 2021. Expenses and other liabilities associated with these claims will not affect our profits or losses in future periods unless our reserve proves to be insufficient or excessive. However, legal expenses incurred in our defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact the cash flows and liquidity position of the Group.

The Board assesses and monitors the financial and operational impacts of material contingencies including the Anti-trust Litigations. More details and further updates (if any) of the Auti-trust Litigations and other lawsuits will be available in the 2021 annual report of the Company.

IX. SUSTAINABILITY

The Group is proud to be an engaged and active member of the communities in which we operate. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are significantly different between the various markets where we have a presence. Under the guidance of the environmental, social and governance committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles. We conducted our materiality analysis this year by developing a process to identify key sustainability issues of our key stakeholders and prioritise the key concerns in a systematic approach, so as to guide our sustainability strategy and manage concerns which are deemed as most material to our stakeholders. The analysis results layout the foundation for material selection and preparation of our Environmental, Social and Governance Report.

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

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

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

In 2022, we expect the negative impacts derived from ASF and COVID-19 on the Group will weaken, but inflationary pressure across the board will impose new challenges to us. Therefore, apart from safeguarding our people and animals from pandemic, we will continuously optimise our integrated value chain to combat the surge in commodity prices to increase our degree of intelligence, automation and information-based production to improve efficiency and cost effectiveness; to introduce geographical and protein diversifications to accelerate growth; to adjust our product portfolios to maximise the added values; as well as to promote innovations in marketing to expand scale of sales. We believe that our efforts will offer consumers quality products, maintain our leading position in the industry and create long-term value for Shareholders, employees and the community.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended 31 December 2021, which have been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021			2020		
	Notes	**Results before biological fair value adjustments** ***US$'million***	**Biological fair value adjustments** ***US$'million***	**Total** ***US$'million***	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Revenue	*3*	**27,293**	**—**	**27,293**	25,589	—	25,589
Cost of sales		**(22,587)**	**290**	**(22,297)**	(21,096)	533	(20,563)
Gross profit		**4,706**	**290**	**4,996**	4,493	533	5,026
Distribution and selling expenses		**(2,038)**	**—**	**(2,038)**	(1,914)	—	(1,914)
Administrative expenses		**(803)**	**—**	**(803)**	(874)	—	(874)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(81)**	**(81)**	—	(511)	(511)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(167)**	**(167)**	—	(209)	(209)
Other income	*4*	**133**	**—**	**133**	74	—	74
Other gains and (losses)	*5*	**131**	**—**	**131**	(47)	—	(47)
Other expenses		**(366)**	**—**	**(366)**	(111)	—	(111)
Finance costs	*6*	**(139)**	**—**	**(139)**	(135)	—	(135)
Share of profits of associates		**9**	**—**	**9**	4	—	4
Share of profits of joint ventures		**25**	**—**	**25**	10	2	12
PROFIT BEFORE TAX	*7*	**1,658**	**42**	**1,700**	1,500	(185)	1,315
Taxation	*8*	**(381)**	**(21)**	**(402)**	(263)	40	(223)
PROFIT FOR THE YEAR		**1,277**	**21**	**1,298**	1,237	(145)	1,092
Other comprehensive (expense) income for the year:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**4**			(90)
				4			(90)
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				**(27)**			312
— fair value change in cash flow hedge, net of tax				**(26)**			31
				(53)			343

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

For the year ended 31 December 2021

		2021			2020		
	Note	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Other comprehensive (expense) income for the year, net of tax				**(49)**			253
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**1,249**			1,345
Profit for the year attributable to							
— owners of the Company				**1,068**			828
— non-controlling interests				**230**			264
				1,298			1,092
Total comprehensive income for the year attributable to							
— owners of the Company				**1,010**			1,016
— non-controlling interests				**239**			329
				1,249			1,345
EARNINGS PER SHARE	*10*						
— Basic (US cents)				**7.55**			5.62
— Diluted (US cents)				**7.55**			5.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 US$'million	2020 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**6,367**	5,531
Right-of-use assets		**711**	684
Biological assets	*12*	**168**	135
Goodwill		**2,070**	2,008
Intangible assets		**1,757**	1,762
Interests in associates		**62**	47
Interests in joint ventures		**191**	307
Other receivables		**67**	57
Financial assets at fair value through profit or loss		**12**	10
Pledged bank deposits		**7**	11
Deferred tax assets		**42**	61
Other non-current assets		**335**	268
Total non-current assets		**11,789**	10,881
CURRENT ASSETS			
Properties under development		**150**	130
Biological assets	*12*	**1,263**	1,047
Inventories	*13*	**2,625**	2,641
Trade and bills receivables	*14*	**1,064**	915
Prepayments, other receivables and other assets		**668**	512
Taxation recoverable		**20**	57
Financial assets at fair value through profit or loss		**232**	882
Pledged/restricted bank deposits		**44**	51
Cash and bank balances		**1,556**	1,599
Total current assets		**7,622**	7,834

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2021

	Notes	2021 US$'million	2020 US$'million
CURRENT LIABILITIES			
Trade payables	*15*	**1,149**	913
Accrued expenses and other payables	*16*	**2,371**	2,136
Lease liabilities		**110**	103
Taxation payable		**71**	73
Borrowings	*17*	**874**	796
Bank overdrafts	*17*	**—**	46
Total current liabilities		**4,575**	4,067
NET CURRENT ASSETS		**3,047**	3,767
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,836**	14,648
NON-CURRENT LIABILITIES			
Other payables	*16*	**383**	291
Lease liabilities		**377**	373
Borrowings	*17*	**3,140**	1,840
Deferred tax liabilities		**725**	553
Deferred revenue		**46**	44
Pension liability and other retirement benefits		**478**	562
Total non-current liabilities		**5,149**	3,663
NET ASSETS		**9,687**	10,985
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**8,747**	10,004
Equity attributable to owners of the Company		**8,748**	10,005
Non-controlling interests		**939**	980
TOTAL EQUITY		**9,687**	10,985

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	US$'million	*US$'million*
Net cash flows from operating activities	**1,822**	2,357
Net cash flows used in investing activities	**(409)**	(963)
Net cash flows used in financing activities	**(1,433)**	(479)
Net (decrease) increase in cash and cash equivalents	**(20)**	915
Effect of foreign exchange rate changes	**23**	86
Cash and cash equivalents at beginning of year	**1,553**	552
Cash and cash equivalents at end of year	**1,556**	1,553
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**1,556**	1,599
Bank overdrafts	**—**	(46)
	1,556	1,553

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION

WH Group Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 August 2014.

The Company acts as an investment holding company. The consolidated financial information of the Company for the year ended 31 December 2021 comprise the Company and its entities (including structured entities, controlled by the Group) (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in the production and sale of packaged meats and pork.

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial information.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

The Group had certain interest-bearing bank and other borrowings denominated in US$ and foreign currencies based on various interbank offered rates as at 31 December 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2021	2020
	US$'million	*US$'million*
Packaged meats	**13,808**	12,167
Pork	**11,969**	12,296
Others	**1,516**	1,126
	27,293	25,589

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 slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, manufacturing of flavouring ingredients and natural casings, manufacture and sales of packaging materials, operating finance companies, property development companies, a chain of retail food stores, sales of biological pharmaceutical materials, trading of meat related products, and corporate expenses incurred by the Group.

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	For the year ended 31 December 2021			
	Packaged meats *US$'million*	Pork *US$'million*	Others *US$'million*	Total *US$'million*
China				
Gross segment revenue	4,216	6,123	1,360	11,699
Less: Inter-segment revenue	—	(787)	(396)	(1,183)
Revenue	4,216	5,336	964	10,516
Reportable segment profit (loss)	902	(53)	81	930
U.S. and Mexico				
Gross segment revenue	8,515	9,789	87	18,391
Less: Inter-segment revenue	(3)	(4,204)	—	(4,207)
Revenue	8,512	5,585	87	14,184
Reportable segment profit (loss)	885	64	(30)	919
Europe				
Gross segment revenue	1,124	1,489	557	3,170
Less: Inter-segment revenue	(44)	(441)	(92)	(577)
Revenue	1,080	1,048	465	2,593
Reportable segment profit (loss)	108	(8)	17	117
Total				
Gross segment revenue	13,855	17,401	2,004	33,260
Less: Inter-segment revenue	(47)	(5,432)	(488)	(5,967)
Revenue	13,808	11,969	1,516	27,293
Reportable segment profit	1,895	3	68	1,966
Net unallocated expenses				(203)
Biological fair value adjustments				42
Finance costs				(139)
Share of profits of associates				9
Share of profits of joint ventures				25
Profit before tax				1,700

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

4. OTHER INCOME

	2021	2020
	US$'million	*US$'million*
Government subsidy	**64**	26
Bank interest income	**30**	17
Income on sales of raw materials	**15**	10
Others	**24**	21
	133	74

5. OTHER GAINS AND (LOSSES)

	2021	2020
	US$'million	*US$'million*
Gain on non-qualified retirement plan assets	**18**	17
Fair value gain on financial assets at fair value through profit or loss	**24**	29
Loss on disposal of property, plant and equipment	**(4)**	(7)
Impairment loss recognised in respect of property, plant and equipment	**(4)**	(25)
Impairment loss recognised in respect of intangible assets	**—**	(2)
Impairment loss recognised in respect of right-of-use assets	**(1)**	(2)
Net exchange gains	**1**	5
Gain on insurance recovery	**24**	7
Gain upon modification of defined benefit plans	**105**	—
Others	**(32)**	(69)
	131	(47)

6. FINANCE COSTS

	2021	2020
	US$'million	*US$'million*
Interest on senior unsecured notes	**(81)**	(76)
Interest on bank and other loans	**(35)**	(37)
Interest on lease liabilities	**(19)**	(20)
Amortisation of transaction costs	**(5)**	(5)
Less: Amounts capitalised in the cost of qualifying assets	**1**	3
	(139)	(135)

7. PROFIT BEFORE TAX

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

	2021	2020
	US$'million	*US$'million*
Auditor's remuneration		
Audit services	**4**	4
Non-audit services	**1**	1
Depreciation of property, plant and equipment	**538**	495
Depreciation of right-of-use assets	**130**	139
Amortisation of intangible assets included in administrative expenses	**9**	8
Amortisation of other non-current assets	**2**	2
Inventories provisions, net, included in cost of sales	**61**	115
(Reversal of impairment losses) impairment losses on trade receivables, net, included in administrative expenses	**(10)**	13
Lease payments not included in the measurement of lease liabilities	**112**	114
Research and development expenses	**179**	148
Staff costs (excluding directors' remuneration)	**3,843**	3,983
Legal contingencies	**353**	82

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

8. TAXATION

	2021	2020
	US$'million	*US$'million*
China income tax	**(192)**	(229)
U.S. income tax	**(45)**	(34)
Europe income taxes	**(24)**	(25)
Other income taxes	**(—*)**	(3)
Withholding tax	**(32)**	(35)
Deferred taxation	**(109)**	103
	(402)	(223)

* Less than US$1 million.

9. DIVIDENDS

	2021	2020
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2020 final dividend of HK12.5 cents per share (2019: HK26.5 cents)	**237**	504
2021 interim dividend of HK5 cents per share (2020: HK5 cents)	**95**	95
	332	599

The final dividend of HK14 cents per share in respect of the year ended 31 December 2021 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

10. 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:

	2021	2020
	US$'million	*US$'million*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**1,068**	828
	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,142.45**	14,733.55
Effect of dilutive potential ordinary shares: share options	**2.69**	55.22
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,145.14**	14,788.77

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$980 million (2020: US$520 million) on additions of property, plant and equipment.

12. BIOLOGICAL ASSETS

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

	2021	2020
	Head 'million	*Head 'million*
Live hogs		
— suckling	**2**	2
— nursery	**2**	2
— finishing	**9**	8
	13	12
Breeding stock (hogs)	**1**	1
	14	13
Broilers	**11**	9
Breeding stock (poultry)	**2**	—*
	13	9

	2021	2020
	US$'million	*US$'million*
Current	**1,263**	1,047
Non-current	**168**	135
	1,431	1,182

* Less than 1 million heads.

12. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3

	2021	2020
	US$'million	*US$'million*
Biological assets		
Live hogs	**1,243**	1,028
Breeding stock (hogs)	**161**	132
Broilers	**20**	19
Breeding stock (poultry)	**7**	3
	1,431	1,182

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.

The Group's biological assets were valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited

13. INVENTORIES

	2021	2020
	US$'million	*US$'million*
Raw materials	**1,222**	1,018
Work in progress	**145**	103
Finished goods	**1,258**	1,520
	2,625	2,641

14. TRADE AND BILLS RECEIVABLES

	2021	2020
	US$'million	*US$'million*
Trade receivables	**1,070**	931
Impairment	**(14)**	(24)
	1,056	907
Bills receivable	**8**	8
	1,064	915

The general credit term allowed by the Group to its customers is within 30 days in China operations while the credit terms vary depending on the sales channel and customers for the U.S. and other countries' operations. The following is an aging analysis of the trade and bills receivables net of loss allowance presented based on the dates of delivery of goods which approximated the respective dates on which revenue was recognised:

	2021	2020
	US$'million	*US$'million*
Current to 30 days	**912**	802
31 to 90 days	**142**	112
91 to 180 days	**9**	1
Over 180 days	**1**	—
	1,064	915

15. TRADE PAYABLES

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

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

	2021	2020
	US$'million	*US$'million*
Within 30 days	**1,127**	891
31 to 90 days	**13**	19
91 to 180 days	**4**	1
181 to 365 days	**5**	2
	1,149	913

16. ACCRUED EXPENSES AND OTHER PAYABLES

	2021 *US$'million*	2020 *US$'million*
Accrued staff costs	**609**	732
Deposits received	**99**	90
Sales rebates payables	**223**	261
Payables in respect of acquisition of property, plant and equipment	**157**	77
Accrued insurance	**151**	155
Interest payable	**23**	27
Balance of contingent consideration in respect of acquisition of subsidiaries	**177**	11
Growers payables	**45**	45
Pension liability	**24**	23
Derivative financial instruments	**3**	16
Accrued professional expenses	**29**	24
Accrued rent and utilities	**35**	32
Dividend payables	**60**	14
Contract liabilities	**523**	520
Other accrued expenses	**478**	302
Other payables	**118**	98
	2,754	2,427
Analysed for reporting purposes as:		
Current liabilities	**2,371**	2,136
Non-current liabilities	**383**	291
	2,754	2,427

17. BORROWINGS

	2021	2020
	US$'million	*US$'million*
Senior unsecured notes:		
2.650% senior unsecured notes due October 2021	**—**	310
3.350% senior unsecured notes due February 2022	**—**	307
4.250% senior unsecured notes due February 2027	**597**	596
5.200% senior unsecured notes due April 2029	**396**	395
3.000% senior unsecured notes due October 2030	**490**	490
2.625% senior unsecured notes due September 2031	**490**	—
	1,973	2,098
Commercial papers	**—**	—
Bank loans:		
Secured	**5**	11
Unsecured	**2,033**	524
Loans from third parties:		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings other than bank overdrafts	**4,014**	2,636
Bank overdrafts	**—**	46
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**874**	796
One to two years	**24**	326
Two to five years	**1,141**	31
After five years	**1,975**	1,483
	4,014	2,636
Less: Amounts due within one year shown under current liabilities	**(874)**	(796)
Amounts due after one year	**3,140**	1,840
Borrowings other than bank overdrafts:		
At fixed rates	**2,515**	2,599
At floating rates	**1,499**	37
	4,014	2,636

17. BORROWINGS (continued)

	2021	2020
	US$'million	*US$'million*
Analysis of borrowings (other than bank overdrafts) by currency:		
Denominated in US$	**2,195**	2,099
Denominated in HK$	**1,135**	—
Denominated in RMB	**539**	489
Denominated in PLN	**134**	3
Denominated in EUR	**7**	2
Denominated in RON	**3**	42
Denominated in GBP	**1**	1
	4,014	2,636

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the external auditor of the Company, Ernst & Young ("**EY**"), and reviewed the Group's consolidated financial information for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group's consolidated financial information comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial information for the year ended 31 December 2021.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes to the consolidated financial information thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by EY, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

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 year ended 31 December 2021, 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 Listing Rules, except for the following deviation:

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

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

During the year ended 31 December 2021, the Board approved the transactions in relation to the Offer on 2 June 2021 by way of passing written resolutions. As each of Mr. Wan Long, Mr. Guo Lijun, Mr. Ma Xiangjie and Mr. Wan Hongjian (a former Director) was a member of the controlling shareholders of the Company and their respective parties acting in concert with them, and was considered to have material interests in the transactions in respect of the Offer. Therefore, the transactions in respect of the Offer should be dealt with by a physical board meeting.

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

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

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

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2021, Mr. Wan Long held both positions until 11 August 2021.

On 12 August 2021, to further enhance corporate governance and comply with code provision A.2.1 of the CG Code, Mr. Wan Long resigned as the chief executive officer of the Company, but has remained as the chairman. Mr. Guo Lijun was appointed to succeed Mr. Wan Long as the 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 throughout the year ended 31 December 2021.

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

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

On 8 September 2021, 1,916,937,202 Shares were bought-back by the Company pursuant to the Offer and such Shares were cancelled. For details of the Offer, please refer to the announcements of the Company dated 6 June 2021, 16 August 2021, 30 August 2021 and 8 September 2021, the offer document of the Company dated 30 July 2021 and the sub-section headed "Share Repurchase" of this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.14 per Share for the year ended 31 December 2021 (the "**2021 Final Dividend**") to the Shareholders subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company. Taking into account of the interim dividend of HK$0.05 per Share paid on 30 September 2021, total dividend for the year ended 31 December 2021 will be HK$0.19 per Share (2020: HK$0.175 per Share). The 2021 Final Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Monday, 13 June 2022 on or about Thursday, 7 July 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods and during these periods, no transfer of Shares will be registered:

(i) To attend and vote at the Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Registrar**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 26 May 2022.

(ii) To qualify for the proposed 2021 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2021 Final Dividend, the registers of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022, both days inclusive. In order to qualify for the proposed 2021 Final Dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Wednesday, 8 June 2022.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, 1 June 2022. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2021 annual 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

Hong Kong, 28 March 2022

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun, Mr. WAN Hongwei, Mr. Charles Shane SMITH 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.