萬洲國際
WH GROUP

INTERIM REPORT 2023

萬洲國際有限公司
WH GROUP LIMITED

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

CONTENTS

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY
WH Group Limited

PLACE OF LISTING AND STOCK CODE
The shares of the Company were listed on the Main Board of the Stock Exchange on 5 August 2014

Stock Code: 288

COMPANY WEBSITE
www.wh-group.com

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

Non-executive Director
Mr. JIAO Shuge

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

COMPANY SECRETARY
Mr. CHAU Ho

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

REMUNERATION COMMITTEE
Mr. HUANG Ming (Chairman)
Mr. JIAO Shuge
Ms. ZHOU Hui

NOMINATION COMMITTEE
Mr. WAN Long (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE
Mr. GUO Lijun (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LAU, Jin Tin Don

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

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

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

LEGAL ADVISOR
Paul Hastings

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

Corporate Information (Continued)

AUTHORISED REPRESENTATIVES
Mr. WAN Long
Mr. CHAU Ho

SHARE REGISTRAR AND TRANSFER OFFICE PRINCIPAL
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH
Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Maples Corporate Services Limited
PO Box 309, Ugland House
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KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND CORPORATE HEADQUARTERS IN HONG KONG
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1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	Six months ended 30 June 2023	2022
Packaged meats sold (thousand metric tons)	**1,597**	1,612
Pork sold (thousand metric tons)	**2,026**	2,031

	Six months ended 30 June 2023		2022	
	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)	
Revenue	**13,116**	**13,116**	13,398	13,398
EBITDA	**1,066**	**1,113**	1,541	1,608
Operating profit	**639**	**639**	1,211	1,211
Profit attributable to owners of the Company	**383**	**420**	701	759
Basic earnings per share (US cents)	**2.99**	**3.27**	5.46	5.92
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Sales volume of packaged meats and pork decreased by 0.9% and 0.2% respectively.
- Revenue decreased by 2.1%; Operating profit decreased by 47.2%.
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 45.4%.
- Basic earnings per share, before biological fair value adjustments, decreased by 45.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY OVERVIEW

The Group is a leading global pork company with operations in multiple geographical regions. In the Review Period, our business in China contributed 34.2% of the revenue and 81.4% of the operating profit of the Group (Comparable Period: 32.6% and 44.3% respectively). Meanwhile, our businesses in the U.S. and Mexico accounted for 53.4% of the revenue and 5.6% of the operating profit of the Group (Comparable Period: 57.2% and 51.1% respectively). The rest of the revenue and operating profit of the Group was primarily derived from our business in Europe. As the pork industry in each of the above regions is characterised distinctively but also co-related to each other to a certain extent, market dynamics in China, the U.S. and Europe are 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 are largely dependent on the availability of agricultural resources, government policies, regulatory environment, animal epidemics and production technology. Given the importance of pork in Chinese diet, demand has always been stable and strong. As China continues to experience economic growth and improvement of people's living standards, demand for high-quality pork products is expected to expand further. For short-term trend, it is mainly driven by industry cycles and near-term events.

In the Review Period, the total production of hogs was 375 million heads according to the National Bureau of Statistics of China, which was 2.6% higher than that of the Comparable Period. The total production volume of pork was 30.32 million metric tons, representing an increase of 3.2% over the Comparable Period. With reference to the statistics published by the MOA, the average hog price in the Review Period was RMB15.12 (approximately US$2.18) per kg, representing an increase of 4.0% from that of the Comparable Period. Despite the increase, the price level remained relatively weak as market supply was adequate and slow economic growth weighed on demand.

Given the significant decrease in imports during 2022, the total volume of imported pork rebounded in the Review Period. According to the General Administration of Customs of China, China imported 0.94 million metric tons of pork in the Review Period, representing an increase of 16.5% over the Comparable Period. The key importing regions were the EU, Brazil and Canada in descending order of import volume.

U.S.

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

With reference to the statistics of the USDA, overall animal protein production in the U.S. was largely flat year on year as pork increased by 0.9%, chicken increased by 2.8%, but beef decreased by 3.9%. On the demand side, high retail prices driven by inflationary pressure and the discontinuation of certain government stimulus programs limited domestic consumption.

Amid abundant supplies and soft demand, the average pork cut-out value as reported by the USDA was US$1.83 per kg in the Review Period, representing a decrease of 19.7% over the Comparable Period. The average hog price, as published by CME, also decreased by 20.4% to US$1.29 per kg in the Review Period. As hog prices decreased while raising costs remained at historical highs, hog producers were making sizable losses.

On a positive note, export demand picked up as price competitiveness of U.S. products improved with lower hog and pork prices. According to the USDA, export volume of U.S. pork and offals increased by 17.9% during the Review Period. Major export destinations that recorded an increase in export volume included China, South Korea and Mexico. Benefited from the widened price differential and the complementary nature of consumers' preference in the two markets, U.S. exports to China increased by 26.7% in the Review Period.

Europe

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

According to the latest statistics published by the European Commission, the aggregated pork production volume of the member states of the EU decreased by 15.3% in the first five months of 2023 over that of the same period in the previous year. The decrease was primarily due to herd reduction as a result of African Swine Fever ("**ASF**") outbreak in some areas. Supply contraction coupled with inflation drove the average carcass price in EU up by 34.3% to EUR2.31 (approximately US$2.50) per kg in the Review Period. Due to higher average prices and restrictions related to ASF, total export volume of the EU in the first four months of 2023 decreased by 15.0% over that of the same period in the previous year. Out of which, shipments to China decreased by 3.9% because price differential was less favourable.

RESULTS OF OPERATIONS

	Six months ended 30 June		
	2023	2022	Change
	US$ million	US$ million	%
Revenue[1]			
— Packaged meats[2]	**6,653**	7,073	(5.9)
— Pork[3]	**5,580**	5,550	0.5
— Others	**883**	775	13.9
	13,116	13,398	(2.1)
Operating profit (loss)			
— Packaged meats[2]	**1,068**	1,081	(1.2)
— Pork[3]	**(409)**	124	N/A
— Others[4]	**(20)**	6	N/A
	639	1,211	(47.2)

Notes:

(1) Revenue refers to net external sales.

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

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

(4) Others' operating profit (loss) includes corporate expenses.

In the Review Period, revenue of the Group decreased by 2.1% to US$13,116 million primarily due to the decrease in packaged meats revenue in both China and the U.S.. Operating profit decreased by 47.2% to US$639 million as we recorded a loss in our pork segment.

Amongst all operating segments, packaged meats has always been our core business. During the Review Period, packaged meats accounted for 167.1% of the Group's operating profit and 50.7% of the Group's revenue (Comparable Period: 89.3% and 52.8% respectively).

Management Discussion and Analysis (Continued)

Packaged Meats

	Six months ended 30 June 2023 US$ million	2022 US$ million	Change %
Revenue			
China	**1,960**	2,029	(3.4)
U.S.	**3,947**	4,428	(10.9)
Europe	**746**	616	21.1
	6,653	7,073	(5.9)
Operating profit			
China	**453**	496	(8.7)
U.S.	**578**	539	7.2
Europe	**37**	46	(19.6)
	1,068	1,081	(1.2)

In the Review Period, our packaged meats sales volume decreased by 0.9% to 1,597 thousand metric tons. In China, sales volume during the Review Period increased by 2.8% primarily due to recovery of certain channels from pandemic controls and expansion of our sales network. It is our ongoing strategy to transform our product portfolio by continuously introducing new products, and developing new channels. Sales volume in the U.S. decreased by 6.3% in the Review Period mainly as a result of softening consumer demand. In Europe, our sales volume increased by 3.7% driven by the acquisition of Goodies (as defined hereinbelow).

Revenue in the Review Period decreased by 5.9% to US$6,653 million. Revenue in China decreased by 3.4% due to unfavorable result of translating RMB to US$. On constant currency basis, our revenue in China increased as a result of sales volume growth and price adjustment. In the U.S., revenue decreased by 10.9% as our sales volume reduced and we adopted a competitive pricing strategy. In Europe, revenue in the Review Period increased by 21.1% due to sales volume gain and higher sales prices in response to inflationary cost pressure.

Operating profit was US$1,068 million in the Review Period, representing a decrease of 1.2% from that of the Comparable Period. In China, operating profit decreased by 8.7% in the Review Period primarily because of depreciation of local currency against US$ and increase in raw material costs. In the U.S., our operating profit increased by 7.2% in the Review Period, notwithstanding the decrease in revenue, as raw material costs declined, and we adjusted our product mix and increased operational efficiencies that drove improvement on our customer service. In Europe, our operating profit decreased by 19.6% as we continued to experience higher raw material and other production costs.

Pork

	Six months ended 30 June		
	2023	2022	Change
	US$ million	US$ million	%
Revenue			
China	**1,981**	1,895	4.5
U.S. and Mexico	**3,036**	3,195	(5.0)
Europe	**563**	460	22.4
	5,580	5,550	0.5
Operating profit (loss)			
China	**42**	36	16.7
U.S. and Mexico	**(495)**	102	N/A
Europe	**44**	(14)	N/A
	(409)	124	N/A

Management Discussion and Analysis (Continued)

Total number of hogs processed stayed flat at 25,430 thousand heads in the Review Period. In China, the number of hogs processed increased by 8.4% as we expanded production. In contrast, our processing volume in the U.S. and Mexico decreased by 2.6%. The decrease was partly due to the closure of our processing facility in California U.S. (as discussed hereinbelow). The number of hogs processed in Europe during the Review Period also decreased by 6.7% as the availability of market hogs was impacted by ASF.

External sales volume of pork was 2,026 thousand metric tons in the Review Period, which was comparable to that of the Comparable Period. The decrease caused by the lower harvest levels in the U.S. and Europe was offset by the increases in China and Mexico. Pork revenue in the Review Period increased by 0.5% to US$5,580 million. In China, revenue increased by 4.5% mainly as a result of the growth in sales volume. In the U.S. and Mexico, revenue decreased by 5.0% primarily due to reduced sales volume and lower pork value. In Europe, revenue increased by 22.4% as the increase in selling prices outweighed the decrease in sales volume.

In the Review Period, an operating loss of US$409 million (Comparable Period: operating profit of US$124 million) was incurred in pork business. In China, operating profit increased by 16.7% as we adjusted product mix and expanded sales network. Profit contribution from imported products also improved. In the U.S. and Mexico, operating loss was US$495 million in the Review Period (Comparable Period: operating profit of US$102 million). Such loss was primarily attributable to our pork business in the U.S., which was challenged by unfavourable market conditions. Although hog raising costs remained elevated due to high prices of feed grains, pork value was under the pressure of soft consumer demand. Meanwhile, the market spread between hog prices and pork value also narrowed. In Europe, operating profit was US$44 million (Comparable Period: operating loss of US$14 million). The turnaround was due to the significant increase in hog prices during the Review Period, which covered the high raw material and manufacturing costs.

Others

In addition to packaged meats and pork, the Group also engages in certain other businesses which mainly include production and sale of poultry products, biological pharmaceutical materials, packaging materials and condiments, provision of logistics and supply chain management services as well as operation of a finance company and a chain of food retail stores.

Specifically, our poultry business in Europe and China processed approximately 146 million heads of broiler, goose and turkey in total during the Review Period, representing an increase of 40.1% from that of the Comparable Period. The growth of our poultry business is integral to our strategy of protein diversification. For our logistics and supply chain management business, we currently own 19 logistics parks across 14 provinces in China covering the majority of nation and one regional distribution centre in Zhengzhou, China. Apart from delivering our packaged meats and pork to customers timely and safely, these facilities also provide services to third party customers.

In the Review Period, revenue generated by our other businesses amounted to US$883 million, an increase of 13.9% over that of the Comparable Period due to the expansion of our poultry operation. However, operating profit of other businesses was reduced by US$26 million from the Comparable Period as the sales of biological pharmaceutical products reduced in the U.S..

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, management of credit profile as well as mitigation of financial risks such as interest rate and foreign exchange fluctuations. 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 ample liquidity. As at 30 June 2023, we had cash and bank balances of US$828 million (as at 31 December 2022: US$1,394 million), which were held primarily in RMB and US$. The aggregate amount of unutilised banking facilities as at 30 June 2023 was US$5,777 million (as at 31 December 2022: US$5,725 million), of which committed banking facilities available to the Group as at 30 June 2023 was US$2,767 million (as at 31 December 2022: US$2,505 million).

For yield enhancement purpose, we also hold certain financial products and debt instruments from time to time. Such financial products and debt instruments are classified as current financial assets at fair value through profit or loss and other current assets, respectively. As at 30 June 2023, the aggregate balance was US$562 million (as at 31 December 2022: US$431 million). During the Review Period, there was no impairment charges on any of these financial products and debt instruments.

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.6 times as at 30 June 2023 (as at 31 December 2022: 1.6 times).

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 IDR and senior unsecured rating are BBB+ according to Fitch Ratings. Our long-term corporate credit rating is BBB according to S&P Global Ratings. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings are stable.

For our wholly-owned subsidiary, Smithfield, Fitch Ratings affirms its Long-Term foreign-currency IDR of BBB with a stable outlook. According to S&P Global Ratings, 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 credit outlook is also stable.

Management Discussion and Analysis (Continued)

Debt Profile

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

	At 30 June 2023 US$ million	At 31 December 2022 US$ million
Borrowings by nature		
Senior unsecured notes	1,977	1,976
Bank borrowings	1,448	1,387
Loans from third parties	3	3
Bank overdrafts	11	—
	3,439	3,366
Borrowings by geographical region		
U.S. and Mexico	1,992	1,993
China	1,396	1,145
Europe	51	228
	3,439	3,366
Borrowings by currency		
US$	1,978	2,176
HK$	369	370
RMB	1,025	573
Other currencies	67	247
	3,439	3,366

The Group's total principal amount of outstanding borrowings as at 30 June 2023 was US$3,468 million (as at 31 December 2022: US$3,395 million). The maturity profile is analysed as follows:

	Total
In 2023	27%
In 2024	4%
In 2025	11%
In 2027	18%
In 2029	12%
In 2030	14%
In 2031 or after	14%
	100%

As at 30 June 2023, 99.7% of our borrowings were unsecured (as at 31 December 2022: 99.8%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant financial covenants during the Review Period.

Major Financing Activities

There were no major financing activities in the Review Period.

Leverage Ratios

As at 30 June 2023, 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 33.2% and 25.2%, respectively (as at 31 December 2022: 32.3% and 18.9%, 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 30 June 2023, were 1.3 times and 1.0 times, respectively (as at 31 December 2022: 1.1 times and 0.6 times, respectively).

Finance Costs

Our finance costs were US$85 million in the Review Period, representing an increase of 7.6% from that of the Comparable Period. The increase was due to the increase in applicable interest rates on bank borrowings denominated in US$ and HK$ during the Review Period.

As at 30 June 2023, the average interest rate of our outstanding borrowings was 3.5% (as at 31 December 2022: 4.0%).

HUMAN RESOURCES

We believe that the success of the Group largely depends on our capacity to attract and retain a dynamic workforce. As at 30 June 2023, the Group had approximately 101 thousand employees in total, in which approximately 45 thousand employees were with our China operation, approximately 38 thousand were with our U.S. and Mexico operations and approximately 17 thousand employees were with our European operations.

We value respectful relationships and encourage enterprising work ethics. We nurture an inclusive culture and provide safe work place. To ensure our employees have constantly improving knowledge and skills to drive the growth of the Group, we provide adequate training and development programs.

Our compensation principle is to align rewards of employees with the goals, objectives and financial performance of the Group. Therefore, our compensation includes appropriate fixed pays such as basic salaries and allowances; variable incentives such as performance bonus; and fringe benefits such as retirement plans and medical coverage. The Company also adopted the Pre-IPO Share Option Scheme in 2014. In the Review Period, total remuneration expenses of the Group amounted to US$2,088 million, representing an increase of 2.2% from that of the Comparable Period, as a result of global wage inflation.

BIOLOGICAL ASSETS

As at 30 June 2023, we had a total of 12,718 thousand hogs, consisting of 11,627 thousand live hogs and 1,091 thousand breeding stock, representing a decrease of 3.8% from that of 31 December 2022. We also had a total of 29,645 thousand poultry, consisting of 26,767 thousand broilers and 2,878 thousand breeding stock, representing an increase of 52.5% from that of 31 December 2022. The fair value of our biological assets was US$1,454 million as at 30 June 2023, as compared to US$1,544 million as at 31 December 2022.

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

In the Review Period, the net impact of biological fair value adjustments on our consolidated statement of profit or loss was a gain in the amount of US$38 million (Comparable Period: gain of US$62 million).

KEY INVESTMENT INTERESTS

Acquisition of Goodies

In February 2023, the Group completed the acquisition of 100% of the equity interests of a Romanian producer of packaged meats, Goodies Meat Production S.R.L. (“**Goodies**”). Its product portfolio includes salami, ham, bacon, bologna and other meat specialties. The acquisition of Goodies complements and strengthens our existing business in Europe.

Restructuring of operations in Western U.S.

In May 2022, the Group announced the closure of our processing facility in California, exit of certain hog farm operations in Arizona and California, and reduction of our sow herd in Utah, as operating in these areas had been increasingly costly. During the Review Period, we continued to incur exit and restructuring costs amounted to US$44 million in total. In June 2023, we sold the aforesaid processing facility to a third party for net proceeds of US$205 million and recognised a pre-tax disposal gain of US$86 million in the Review Period.

Restructuring of upstream business in the U.S.

In view of persistent animal disease and underperformance issues in the Missouri region, the Group decided to cease operations of certain sow farms in Missouri. During the Review Period, an exit cost of US$19 million was incurred.

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$448 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended 30 June	
	2023	2022
	US$ million	US$ million
China	**230**	283
U.S. and Mexico	**167**	119
Europe	**51**	32
	448	434

During the Review Period, our capital expenditures in China were mainly for certain vertically integrated poultry production and hog raising facilities. A portion of the capital expenditures associated with these facilities 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 Development, in October 2020. Our capital expenditures in the U.S. and Mexico were primarily related to the modernisation of our processing plants and upgrade of our packaged meats production facilities. Our capital expenditures in Europe were mainly for expansion and improvement of our plants.

KEY RISKS AND THEIR MANAGEMENT

Risk Management

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

Commodity 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 financial performance.

In China, we mitigate the effects of commodity price fluctuations through effective reserves management strategy, pass-through of costs and overseas imports. In the U.S., our vertically integrated supply chain helps the natural hedge of commodity price changes. Some of these commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risks. The main objective of hedges is to manage commodity price risks associated with the raw material costs and forward sales of our packaged meats and pork businesses. While such hedging activities may limit our ability to participate in gains from favorable commodity fluctuations, they also reduces the risk of loss from adverse changes in raw material prices. The Group has robust policy and procedures in the management of such hedging activities under 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 30 June 2023, approximately 87.6% of our borrowings were at fixed interest rates (as at 31 December 2022: 76.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedges (if appropriate).

CONTINGENT LIABILITIES

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

Antitrust Litigation

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

Prior to the Review Period, accruals for estimated losses and expenses in relation to Antitrust Litigation were established. Payments in an aggregated amount of US$194 million were subsequently made to settle all class claims by the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers. Currently, 37 individual cases are still pending against the Group. We intend to vigorously defend against most of these claims.

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

SUSTAINABILITY

Sustainability is an important area of the Group's governance framework. The Board has established an ESG Committee at the Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee reviewed the key environmental, social and governance risks faced by the Group, and its risk mitigation controls that presented by the management, assessed and endorsed the Group's progress made in light of the environmental targets and amendments made to the Group's corporate principles. The Committee also approved the 2022 Environmental, Social and Governance Report of the Group. The Group's 2022 Environmental, Social and Governance Report was officially released on 24 April 2023.

The Group is committed to providing sustainable protein choices for consumers globally. As we grow our businesses, we also track our impact to natural environment and communities where we operate, monitor the evolution of consumer needs, and at the same time, build mutual respect with employees and enable their development. We are engaged in delivering positive contributions to building a healthy and vibrant industry chain, along with our suppliers and distributors. 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 different among 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 the Group's corporate principles.

As of 30 June 2023, the Company remained a constituent stock of the Hang Seng Corporate Sustainability Index with A+ grade, and has retained an ESG rating of BBB with MSCI, the world's largest index company.

OUTLOOK

During the Review Period, our business in China performed steadily. Our business in Europe achieved recovery. However, our business in the U.S. continued to be difficult. Although grains and energy prices began to trend down, the elevated level of prices severely impacted our costs of production. Meanwhile, macro-economic headwinds weakened consumer confidence and therefore weighed on demand. We expect such unfavourable operating landscape will continue to affect us for certain periods of 2023. As a result, the short-term financial performance of our Group will be under pressure. To meet these challenges, we will focus on optimizing our industrial value chain. We will rigorously continue to promote adjustment of product mix, expand sales network, manage prices and control costs. We will also leverage on our global presence to better deploy resources and deepen synergies realisation. With the joint efforts of a cohesive management team, we will strive for the best results amid the highly uncertain external environment.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 58, which comprises the condensed consolidated statement of financial position of WH Group Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
15 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
		Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)	Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)
Revenue	3	13,116	–	13,116	13,398	–	13,398
Cost of sales		(11,090)	722	(10,368)	(10,775)	51	(10,724)
Gross profit		2,026	722	2,748	2,623	51	2,674
Distribution and selling expenses		(998)	–	(998)	(1,035)	–	(1,035)
Administrative expenses		(433)	–	(433)	(412)	–	(412)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		–	(499)	(499)	–	116	116
Loss arising from changes in fair value less costs to sell of biological assets		–	(176)	(176)	–	(102)	(102)
Other income		78	–	78	54	–	54
Other gains (losses)		76	–	76	(47)	–	(47)
Other expenses		(54)	–	(54)	(11)	–	(11)
Finance costs		(85)	–	(85)	(79)	–	(79)
Share of profits (losses) of associates		2	–	2	(2)	–	(2)
Share of losses of joint ventures		(2)	–	(2)	(3)	2	(1)
PROFIT BEFORE TAX	4	610	47	657	1,088	67	1,155
Taxation	5	(108)	(9)	(117)	(251)	(5)	(256)
PROFIT FOR THE PERIOD		502	38	540	837	62	899
Other comprehensive income (expense) for the period:							
Items that may be reclassified subsequently to profit or loss							
– exchange differences arising on translation of foreign operations				(29)			(309)
– fair value changes in cash flow hedge, net of tax				(21)			(12)
Net other comprehensive income (expense) that may be reclassified subsequently to profit or loss				(50)			(321)

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

For the six months ended 30 June 2023

	Notes	**For the six months ended 30 June 2023**			For the six months ended 30 June 2022		
		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)
Other comprehensive income (expense) for the period, net of tax				**(50)**			(321)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**490**			578
Profit for the period attributable to:							
– owners of the Company				**420**			759
– non-controlling interests				**120**			140
				540			899
Total comprehensive income for the period attributable to:							
– owners of the Company				**413**			483
– non-controlling interests				**77**			95
				490			578
EARNINGS PER SHARE	7						
– Basic (US cents)				**3.27**			5.92
– Diluted (US cents)				**3.27**			5.92

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	6,483	6,536
Right-of-use assets		724	749
Biological assets	9	194	201
Goodwill		2,012	1,992
Intangible assets		1,719	1,717
Interests in associates		128	126
Interests in joint ventures		124	126
Other receivables		70	78
Financial assets at fair value through profit or loss		11	11
Pledged bank deposits		6	5
Deferred tax assets		54	58
Other non-current assets		255	247
Total non-current assets		11,780	11,846
CURRENT ASSETS			
Properties under development	8	116	117
Biological assets	9	1,260	1,343
Inventories	10	2,974	2,855
Trade and bills receivables	11	905	1,087
Prepayments, other receivables and other assets		912	981
Taxation recoverable		54	6
Financial assets at fair value through profit or loss		194	149
Pledged/restricted bank deposits		58	77
Cash and bank balances		828	1,394
Total current assets		7,301	8,009
CURRENT LIABILITIES			
Trade payables	12	864	1,395
Accrued expenses and other payables	13	2,377	2,513
Lease liabilities		87	85
Taxation payable		49	130
Borrowings	14	1,065	862
Bank overdrafts	14	11	—
Total current liabilities		4,453	4,985

Condensed Consolidated Statement of Financial Position (Continued)

30 June 2023

	Notes	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
NET CURRENT ASSETS		**2,848**	3,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,628**	14,870
NON-CURRENT LIABILITIES			
Other payables	13	**429**	408
Lease liabilities		**426**	449
Borrowings	14	**2,363**	2,504
Deferred tax liabilities		**655**	697
Deferred revenue		**35**	38
Pension liability and other retirement benefits	15	**372**	362
Total non-current liabilities		**4,280**	4,458
NET ASSETS		**10,348**	10,412
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**9,603**	9,599
Equity attributable to owners of the Company		**9,604**	9,600
Non-controlling interests		**744**	812
TOTAL EQUITY		**10,348**	10,412

The interim financial information on pages 20 to 58 were approved and authorised for issue by the Board of Directors on 15 August 2023 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million (Note (b))	Other reserve US$'million (Note (c))	Statutory surplus reserve US$'million (Note (d))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At 1 January 2023 (Audited)	1	1,083	786	(289)	(202)	274	7,947	9,600	812	10,412
Profit for the period	–	–	–	–	–	–	420	420	120	540
Exchange differences arising on translation of foreign operations	–	–	–	14	–	–	–	14	(43)	(29)
Fair value changes in cash flow hedge	–	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive income for the period	–	–	–	14	(21)	–	420	413	77	490
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(153)	(153)
Dividend	–	–	–	–	–	–	(409)	(409)	–	(409)
Lapse of share options	–	–	–	–	(3)	–	3	–	–	–
Transfer of contractual put option in relation to non-controlling interests (note (e))	–	–	–	–	–	–	–	–	8	8
	–	–	–	–	(3)	–	(406)	(409)	(145)	(554)
At 30 June 2023 (Unaudited)	1	1,083	786	(275)	(226)	274	7,961	9,604	744	10,348
At 1 January 2022 (Audited)	1	1,083	785	(11)	(272)	271	6,891	8,748	939	9,687
Profit for the period	–	–	–	–	–	–	759	759	140	899
Exchange differences arising on translation of foreign operations	–	–	–	(264)	–	–	–	(264)	(45)	(309)
Fair value changes in cash flow hedge	–	–	–	–	(12)	–	–	(12)	–	(12)
Total comprehensive income for the period	–	–	–	(264)	(12)	–	759	483	95	578
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	1	1
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(207)	(207)
Dividend	–	–	–	–	–	–	(229)	(229)	–	(229)
Lapse of share options	–	–	–	–	(–*)	–	–*	–	–	–
Transfer of contractual put option in relation to non-controlling interests (note (e))	–	–	–	–	–	–	–	–	(6)	(6)
Transfer	–	–	(1)	–	1	–	–	–	–	–
	–	–	(1)	–	1	–	(229)	(229)	(212)	(441)
At 30 June 2022 (Unaudited)	1	1,083	784	(275)	(283)	271	7,421	9,002	822	9,824

* Less than US$1 million.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

Notes:

(a) Capital reserve

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

(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Other reserve

Other reserve included the fair value of the share options, remeasurement deficit of the defined benefit pension plans and fair value surplus in cash flow hedge attributable to the Group.

(d) Statutory surplus reserve

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

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

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

The Group entered into a contractual put option in relation to non-controlling interest ("NCI") shares in a subsidiary. The NCI shareholder can require the Group to acquire the shares of the subsidiary at a future date. The Group applied the partial recognition of NCI method for its put option, of which the profit for the period shared by the NCI shareholder in relation to the portion of the put option is recorded as a liability in "accrued expenses and other payables" in the consolidated statement of financial position as at 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**2**	34
INVESTING ACTIVITIES		
Interest received	**27**	15
Additions of property, plant and equipment	**(437)**	(432)
Additions of right-of-use assets	**(11)**	(2)
Proceeds from disposal of property, plant and equipment	**212**	2
Dividends received from associates	**5**	3
Net cash inflow (outflow) on acquisition of subsidiaries	**(35)**	25
Acquisition of equity interests in a joint venture	**—**	(9)
Purchase of financial assets at fair value through profit or loss	**(879)**	(306)
Proceeds from disposal of financial assets at fair value through profit or loss	**832**	451
Purchase of debt investments at amortised cost	**(602)**	(142)
Proceeds from disposal of debt investments at amortised cost	**502**	254
Placement of pledged/restricted bank deposits	**(58)**	(55)
Withdrawal of pledged/restricted bank deposits	**72**	38
Insurance claims on property, plant and equipment	**6**	2
Purchases of other assets	**(6)**	(4)
Proceeds from disposal of other assets	**9**	—
Net cash flows used in investing activities	**(363)**	(160)
FINANCING ACTIVITIES		
Interest paid	**(86)**	(67)
Dividends paid to shareholders and non-controlling interests	**(161)**	(211)
Proceeds from borrowings, net of transaction costs	**6,097**	1,841
Repayment of borrowings	**(6,001)**	(1,922)
Contribution from non-controlling interests	**—**	1
Lease payments	**(49)**	(58)
Debt issuance costs on issuance of senior notes, term loan and credit facility	**(2)**	—
Net cash flows used in financing activities	**(202)**	(416)

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	**(563)**	(542)
Cash and cash equivalents at beginning of period	**1,394**	1,556
Effect of foreign exchange rate changes	**(14)**	(46)
Cash and cash equivalents at end of period	**817**	968
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**828**	968
Bank overdrafts	**(11)**	—
	817	968

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

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

The interim financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, and certain financial instruments which are measured at fair value. This financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with *International Financial Reporting Standards* ("**IFRSs**") issued by the IASB, except for adoption of the revised IFRSs as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules*

Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, who are also the chief operating decision-makers, that are used to make strategic decisions. The Group's reportable segments, which are also the operating segments, are classified based on their locations including China, U.S. and Mexico, and Europe and the nature of operations as (i) packaged meats, (ii) pork, and (iii) others.

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

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

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

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

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

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

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

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June 2023			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	1,960	2,337	757	5,054
Less: Inter-segment revenue	—	(356)	(213)	(569)
Revenue	1,960	1,981	544	4,485
Reportable segment profit	453	42	25	520
U.S. and Mexico				
Gross segment revenue	3,947	4,490	25	8,462
Less: Inter-segment revenue	—*	(1,454)	—	(1,454)
Revenue	3,947	3,036	25	7,008
Reportable segment profit (loss)	578	(495)	(47)	36
Europe				
Gross segment revenue	768	858	388	2,014
Less: Inter-segment revenue	(22)	(295)	(74)	(391)
Revenue	746	563	314	1,623
Reportable segment profit	37	44	2	83
Total				
Gross segment revenue	6,675	7,685	1,170	15,530
Less: Inter-segment revenue	(22)	(2,105)	(287)	(2,414)
Revenue#	6,653	5,580	883	13,116
Reportable segment profit (loss)	1,068	(409)	(20)	639
Net unallocated income				56
Biological fair value adjustments				47
Finance costs				(85)
Share of profits of associates				2
Share of losses of joint ventures				(2)
Profit before tax				657

* Less than US$1 million.

3. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2022			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	2,029	2,220	618	4,867
Less: Inter-segment revenue	—	(325)	(176)	(501)
Revenue	2,029	1,895	442	4,366
Reportable segment profit	496	36	5	537
U.S. and Mexico				
Gross segment revenue	4,429	5,200	45	9,674
Less: Inter-segment revenue	(1)	(2,005)	—	(2,006)
Revenue	4,428	3,195	45	7,668
Reportable segment profit (loss)	539	102	(22)	619
Europe				
Gross segment revenue	640	680	348	1,668
Less: Inter-segment revenue	(24)	(220)	(60)	(304)
Revenue	616	460	288	1,364
Reportable segment profit (loss)	46	(14)	23	55
Total				
Gross segment revenue	7,098	8,100	1,011	16,209
Less: Inter-segment revenue	(25)	(2,550)	(236)	(2,811)
Revenue#	7,073	5,550	775	13,398
Reportable segment profit	1,081	124	6	1,211
Net unallocated expenses				(39)
Biological fair value adjustments				67
Finance costs				(79)
Share of losses of associates				(2)
Share of losses of joint ventures				(3)
Profit before tax				1,155

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

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

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

Geographical information

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

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**318**	307
Depreciation of right-of-use assets	**48**	62
Amortisation of intangible assets included in administrative expenses	**5**	5
Inventories provisions, net, included in cost of sales	**26**	9
Impairment loss on property, plant and equipment	**2**	1
Impairment loss on intangible assets	**—**	—*
Impairment loss (reversal of impairment loss) on trade receivables, net, included in administrative expenses	**1**	(1)
Lease payments not included in the measurement of lease liabilities	**92**	70
Research and development expenses	**92**	91
Staff costs (excluding directors' remuneration)	**2,081**	2,036
Legal contingencies	**3**	3
Loss on disposal of property, plant and equipment, net	**(84)**	1
Fair value gain on financial assets at fair value through profit or loss	**(6)**	(5)

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

* Less than US$1 million.

5. TAXATION

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
China income tax	**112**	120
U.S. income tax	**(19)**	110
Europe income taxes	**16**	16
Other income taxes	**—***	—*
Withholding tax	**18**	26
Deferred taxation	**(10)**	(16)
	117	256

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

* Less than US$1 million.

6. DIVIDENDS

At the Company's annual general meeting held on 6 June 2023, the shareholders of the Company approved the payment of a final dividend of HK$0.25 per share (year ended 31 December 2021: HK$0.14 per share) of the Company for the year ended 31 December 2022, as recommended by the Board, which was paid in cash to the shareholders of the Company on 7 July 2023, whose names appeared on the register of members of the Company on 15 June 2023.

The Board declared an interim dividend of HK$0.05 per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on 1 September 2023. The dividend is to be paid in cash to the shareholders of the Company on or about 29 September 2023.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	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	**420**	759

	Six months ended 30 June	
	2023	2022
	million shares	million shares
Number of shares	**(Unaudited)**	(Unaudited)
Weighted average number of ordinary shares for the purpose of diluted earnings per share (Note)	**12,830.22**	12,830.22

Note: Diluted earnings per share for the period ended 30 June 2023 and 30 June 2022 were the same as the basic earnings per share as the Group had no potentially dilutive ordinary shares during the periods.

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

During the six months ended 30 June 2023, the Group incurred US$296 million (six months ended 30 June 2022: US$540 million) on the additions of items of property, plant and equipment.

During the six months ended 30 June 2023, the Group incurred US$10 million (six months ended 30 June 2022: US$18 million) on the additions to properties under development.

9. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	30 June 2023 Head 'million (Unaudited)	31 December 2022 Head 'million (Audited)
Live hogs		
— suckling	2	2
— nursery	2	2
— finishing	8	8
	12	12
Breeding stock (hogs)	1	1
	13	13
Broilers	27	17
Breeding stock (poultry)	3	2
	30	19

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

9. BIOLOGICAL ASSETS (Continued)

Nature of the Group's agricultural activities (Continued)

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

(i) **Regulatory and environmental risks**

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

(ii) **Climate, disease and other natural risks**

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

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Current assets	1,260	1,343
Non-current assets	194	201
	1,454	1,544

9. BIOLOGICAL ASSETS (Continued)

Fair value measurement

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

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

10. INVENTORIES

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Raw materials	**1,167**	1,286
Work in progress	**198**	152
Finished goods	**1,609**	1,417
	2,974	2,855

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

11. TRADE AND BILLS RECEIVABLES

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Trade receivables	914	1,090
Impairment	(11)	(11)
	903	1,079
Bills receivable	2	8
	905	1,087

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

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Within 30 days	829	989
31 to 90 days	72	96
91 to 180 days	4	2
Over 180 days	—*	—*
	905	1,087

* Less than US$1 million.

12. TRADE PAYABLES

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

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

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Within 30 days	**851**	1,384
31 to 90 days	**9**	8
91 to 180 days	**2**	1
181 to 365 days	**2**	2
	864	1,395

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

13. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Accrued staff costs	**465**	592
Deposits received	**72**	87
Sales rebates payables	**151**	176
Payables in respect of acquisition of property, plant and equipment	**256**	377
Accrued insurance	**135**	130
Interest payable	**26**	24
Balance of contingent consideration in respect of acquisition of subsidiaries	**212**	200
Growers payables	**50**	49
Pension liability	**24**	24
Derivative financial instruments	**32**	18
Accrued professional expenses	**11**	8
Accrued rent and utilities	**40**	39
Dividend payables	**415**	12
Contract liabilities	**365**	536
Other accrued expenses	**405**	478
Other payables	**147**	171
	2,806	2,921
Analysed for reporting purposes as:		
Current liabilities	**2,377**	2,513
Non-current liabilities	**429**	408
	2,806	2,921

14. BORROWINGS

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	**598**	598
5.200% senior unsecured notes due April 2029	**396**	396
3.000% senior unsecured notes due October 2030	**492**	491
2.625% senior unsecured notes due September 2031	**491**	491
	1,977	1,976
Commercial papers (Note i)	**—**	—
Bank loans (Note ii):		
Secured	**10**	6
Unsecured	**1,438**	1,381
Loans from third parties (Note iii):		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings other than bank overdrafts	**3,428**	3,366
Bank overdrafts	**11**	—
The borrowings are repayable as follows (Note iv):		
Within one year	**1,065**	862
One to two years	**9**	148
Two to five years	**972**	975
After five years	**1,382**	1,381
	3,428	3,366
Less: Amounts due within one year shown under current liabilities	**(1,065)**	(862)
Amounts due after one year	**2,363**	2,504
Total borrowings:		
At fixed rates	**3,004**	2,557
At floating rates	**424**	809
	3,428	3,366

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

14. BORROWINGS (Continued)

Notes:

i. In May 2018, the Group established a new commercial paper program to issue short-term notes. The program allows the Group to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, the Group pays a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The maturities of the issued papers may vary, but may not exceed 397 days from the date of issuance. The issuance of commercial papers has the effect of reducing available liquidity by an amount equal to the principal amount of outstanding commercial papers. The maximum issuance capacity under the program is US$2,100 million. There were no commercial papers were outstanding as at 30 June 2023 (31 December 2022: Nil).

ii. Fixed rate bank loans carry interest at fixed rates ranging from 1.20% to 3.90% per annum (31 December 2022: from 1.25% to 5.80%) and floating rates ranging from HIBOR + 1.15% to WIBOR + 1.20% per annum at 30 June 2023 (31 December 2022: SOFR + 0.65% to WIBOR + 1.20% per annum).

iii. Loans from third parties carry interest at fixed rate of 0.90% per annum at 30 June 2023 (31 December 2022: 0.90% per annum).

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

Certain borrowings as at 30 June 2023 are secured by the Group's pledged bank deposits of US$2 million (31 December 2022: US$5 million).

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the six months ended 30 June 2023 and the year ended 31 December 2022.

Smithfield Receivables Funding, LLC ("**Smithfield Receivables**"), a wholly-owned subsidiary of the Group, has a securitisation facility that will mature in November 2023. As part of the arrangement, certain trade receivables are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("**SPV**"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the condensed consolidated statement of financial position of the Group. However, trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield Receivables if Smithfield Receivables was to become insolvent. As at 30 June 2023, the SPV held US$370 million (31 December 2022: US$574 million) of trade receivables and had no outstanding borrowings (31 December 2022: US$25 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at 30 June 2023 and 31 December 2022.

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS

Defined Benefit Plans

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

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

Under the plans, the employees are entitled to retirement benefits based on final average salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

Pension plan assets may be invested in cash and cash equivalents, equity securities, debt securities and alternative assets (including alternative investments, limited partnerships and insurance contracts). The investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Maturity for fixed income securities is managed such that sufficient liquidity exists to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within parameters established by the plan trustees.

The policy for the plans is consistently applied at 30 June 2023 and 31 December 2022.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2022 by Mercer (US), Inc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined Contribution Plans

The Group's qualifying employees in Hong Kong participate in Mandatory Provident Fund (the "**MPF**") in Hong Kong. The assets of the MPF are held separately from those of the Group in fund under the control of trustee. Under the MPF scheme in Hong Kong, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

The employees of the Group's China subsidiaries are members of the state-managed retirement benefits scheme operated by the China government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme are to make the required contributions under the scheme.

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

The Group has defined contribution plans (401(K) plans) covering substantially all U.S. employees. The Group's contributions to the plans are primarily based on each participant's contribution and cannot exceed the maximum allowable for tax purposes.

The amount charged to profit or loss of approximately US$78 million during the six months ended 30 June 2023 (six months ended 30 June 2022: US$77 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. BUSINESS COMBINATIONS

Acquisition of Goodies Meat Production S.R.L. ("Goodies")

On 28 February 2023, the Group completed the acquisition of 100% of the equity interests in Goodies from an independent third party.

Fair value assessments

The fair values of the identifiable assets and liabilities of Goodies as at the date of acquisition are set out below:

	US$'million
Property, plant and equipment	17
Intangible assets	15
Inventories	3
Trade and bills receivables	3
Cash and bank balances	5
Trade payables	(4)
Accrued expenses and other payables	(—)*
Lease liabilities	(1)
Other liabilities	(11)
Total identifiable net assets at fair value	27
Goodwill	4
	31

* Less than US$1 million.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

16. BUSINESS COMBINATIONS (Continued)

Acquisition of Goodies Meat Production S.R.L. ("Goodies") (Continued)

Fair value assessments (Continued)

	US$'million
Satisfied by:	
Cash	26
Contingent consideration	5
	31
Analysis of the cash flows in respect of the acquisition is as follows:	
Cash consideration	(26)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents in cash flows used in investing activities	(21)
Transaction costs paid during the year included in cash flows from operating activities	—*
	(21)

Since the completion of acquisition, Goodies contributed US$13 million to the Group's revenue and US$1 million to the consolidated profit before tax for the six months ended 30 June 2023.

* Less than US$1 million.

17. COMMITMENTS

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

	30 June 2023 US$'million (Unaudited)	31 December 2022 US$'million (Audited)
Contracted but not provided for, in respect of:		
Acquisition of property, plant and equipment	**295**	181
Capital contribution	**17**	20

18. ASSETS HELD FOR SALE

On 25 May 2022, the Group made the decision to dispose of the harvest and processing facility in Vernon, California in the U.S. held by Clougherty Packing, LLC, a wholly owned subsidiary of the Group. The facility was sold to a third party on 20 June 2023 for net proceeds of US$205 million and a gain on disposal of US$86 million was recognised during the six months ended 30 June 2023.

19. REGULATIONS AND CONTINGENCIES

The Group is subject to various laws and regulations administered by jurisdictional government entities. The Group had notices and inquiries from regulatory authorities and others asserting from time to time that the Group is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against the Group.

Expenses and other liabilities associated with these claims will not adversely affect the Group's profits or losses in future periods unless the provision proves to be insufficient or excessive. However, legal expenses incurred in the Group's defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact its cash flows and its liquidity position. The directors of the Company will continue to evaluate and adjust the provision as necessary upon changes in facts and circumstances.

Antitrust Litigation

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

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

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

19. REGULATIONS AND CONTINGENCIES (Continued)

Antitrust Litigation (Continued)

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

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

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

Under an agreement dated 19 March 2022, the Group agreed to settle all commercial and institutional indirect-purchaser class claims for a single payment of US$42 million. The terms of the settlement received final approval from the court on 19 October 2022.

Under an agreement dated 4 August 2022, the Group agreed to settle all consumer indirect purchaser class claims for a single payment of US$75 million. The terms of the settlement received final approval from the court on 11 April 2023.

Currently 37 individual cases are pending against the Group. Of those, three cases have been brought by commonwealths or states seeking recovery based on purchases made by their citizens (Alaska, New Mexico and Puerto Rico). The remaining 34 cases have been brought by customers who opted out of the class settlement.

The Group intends to continue to vigorously defend against the remaining claims on the Antitrust Litigation.

Maxwell Foods Litigation

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

19. REGULATIONS AND CONTINGENCIES (Continued)

Maxwell Foods Litigation (Continued)

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

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

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

The Group intends to vigorously defend against these claims.

Barden Hog Farm Litigation

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

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

Discovery has been completed, and the Group filed a motion for summary judgment seeking dismissal of all claims on 30 December 2022.

The Group intends to vigorously defend against these claims.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values due to the short-term maturities of these instruments.

The fair values of non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and the management of the Company has assessed that the fair values of non-current financial assets and financial liabilities approximately to their carrying amount. The Group's own non-performance risk for non-current financial liabilities as at 30 June 2023 was assessed to be insignificant.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	At 30 June 2023			
	Level 1 US$'million (Unaudited)	Level 2 US$'million (Unaudited)	Level 3 US$'million (Unaudited)	Total US$'million (Unaudited)
Financial assets at fair value through profit or loss	—	11	194	205
Derivative financial assets	36	17	35	88
Other non-current assets	49	120	12	181
Financial assets included in prepayments, other receivables and other assets	—	23	—	23
	85	171	241	497
Derivative financial liabilities	13	31	2	46

	At 31 December 2022			
	Level 1 US$'million (Audited)	Level 2 US$'million (Audited)	Level 3 US$'million (Audited)	Total US$'million (Audited)
Financial assets at fair value through profit or loss	—	11	149	160
Derivative financial assets	20	12	54	86
Other non-current assets	38	89	12	139
Financial assets included in prepayments, other receivables and other assets	—	23	—	23
	58	135	215	408
Derivative financial liabilities	17	13	—	30

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets at fair value through profit or loss included (a) unlisted investments in equity securities of which fair values are determined by income approach based on discounted cash flow analysis on the expected interest rates (Level 2), and (b) unlisted financial products of which fair values are determined based on significant unobservable inputs (Level 3) including expected rate of return of 2.90% to 3.03% (31 December 2022: 1.60% to 4.40%).

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (Level 1) or using income approach based on discounted cash flow analysis on the expected interest rates (Level 2), as appropriate.

Other non-current assets include mutual funds and institutional funds which are valued based on its quoted prices in active market (Level 1) or derived from the net asset value per share of the investment (Level 3) as appropriate, and insurance contracts which are valued at their cash surrender value using the daily asset unit value which is based on the quoted market price of the underlying securities and classified within Level 2.

There was no transfer between Level 1 and Level 2 fair value measurements during the period, and no transfer into or out of Level 3 fair value measurements during the six months ended 30 June 2023.

Sensitivity analysis

The fair value of financial assets and financial liabilities that are classified as Level 3 is determined by using valuation techniques including Monte Carlo simulation. In determining the fair value, specific valuation techniques are used with reference to inputs such as RMB risk-free interest rate and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact to the Group's profit or loss.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Movements in fair value measurement within Level 3

The movements in fair value measurements within Level 3 during the period are as follows:

	Financial assets at fair value through profit or loss US$'million	Derivative financial instruments US$'million	Other non-current assets US$'million
At 1 January 2022	232	34	14
Total gains (losses) recognised in profit or loss included in cost of sales and other gains and (losses)	8	42	(2)
Purchases	1,078	—	—
Disposals	(1,174)	(22)	—
Currency realignment	5	—	—
At 31 December 2022 and 1 January 2023	**149**	**54**	**12**
Total gains (losses) recognised in profit or loss included in cost of sales and other gains and (losses)	**6**	**(12)**	**—**
Purchases	**823**	**—**	**—**
Disposals	**(774)**	**(9)**	**—**
Currency realignment	**(10)**	**—**	**—**
At 30 June 2023	**194**	**33**	**12**

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

The disclosure set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The Group currently has a legally enforceable right to set off the derivative financial instruments and the Group intends to settle these balances on a net basis.

As at 30 June 2023

	Gross amounts of recognised financial assets US$'million (Unaudited)	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial assets presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position Financial collateral US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position Cash collateral received US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	27	(10)	17	(3)	—	14

	Gross amounts of recognised financial liabilities US$'million (Unaudited)	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position Financial collateral US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position Cash collateral pledged US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	13	(10)	3	(3)	—	—

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2022

	Gross amounts of recognised financial assets US$'million (Audited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million (Audited)
				Financial collateral US$'million (Audited)	Cash collateral received US$'million (Audited)	
Derivatives	20	(9)	10	(3)	—	7

	Gross amounts of recognised financial liabilities US$'million (Audited)	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million (Audited)
				Financial collateral US$'million (Audited)	Cash collateral pledged US$'million (Audited)	
Derivatives	11	(9)	2	(2)	—	—

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Sales of goods to associates	**4**	9
Sales of goods to joint ventures	**2**	13
Purchase of goods and services from associates	**91**	121
Purchase of goods and service from joint ventures	**9**	12

(b) Compensation of key management personnel of the Group

The remuneration of key management personnel, representing emoluments of directors of the Company and senior management of the Group paid/payable during the period under review is set out as follows:

	Six months ended 30 June	
	2023	2022
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Director fees	**—***	—*
Basic salaries and allowances	**6**	5
Performance bonuses	**6**	10
Retirement benefits scheme contributions	**—***	1
Total compensation paid to key management personnel	**12**	16

* Less than US$1 million.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.05 per Share (2022: HK$0.05 per Share) for the six months ended 30 June 2023 (the "**2023 Interim Dividend**"), representing a total payment of approximately HK$642 million (equivalent to approximately US$82 million) (2022: approximately HK$642 million, equivalent to approximately US$82 million) to the Shareholders. The 2023 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Friday, 1 September 2023 on or about Friday, 29 September 2023. The register of members of the Company was closed from Wednesday, 30 August 2023 to Friday, 1 September 2023, both days inclusive, during which period no transfer of Shares will be registered. To ensure their entitlement to the 2023 Interim Dividend, Shareholders are reminded to lodge their transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms not later than 4:30 p.m. on Tuesday, 29 August 2023 for registration with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

DISCLOSURE OF INTERESTS

Directors/Chief Executive Officer

As at 30 June 2023, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Settlor of a family trust(1)	3,388,566,101(L)	26.41%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Trustee(2)	631,580,000(L)	4.92%
	Beneficiary of a trust(2)(3)	200,917,089(L)	1.57%
	Beneficial owner	100,000(L)	0.00%
Mr. Wan Hongwei	Beneficial owner	2,500,000(L)	0.02%
Mr. Ma Xiangjie	Trustee(4)(5)	5,029,376,978(L)	39.20%
	Beneficiary of a trust(4)(5)	86,572,339(L)	0.67%
	Interest of spouse(6)	3,000(L)	0.00%

Other Information (Continued)

Notes:

(1) Prior to the establishment of Wan Long Trust (as discussed hereinbelow), Mr. Wan Long directly owned the entire issued share capital of Sure Pass, Wan Tong International Holdings Limited and Xing Tong. Sure Pass owned 573,099,645 Shares. Wan Tong International Holdings Limited owned High Zenith as to 100%, which in turn owned 350,877,333 Shares. Xing Tong was one of the participants of the Heroic Zone Share Plan, in which it held approximately 46.76% of the participant units. Hence, Xing Tong was deemed to be interested in approximately 46.76% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. By virtue of voting undertakings and arrangement, Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Therefore, Xing Tong was deemed to be interested in 2,351,788,935 Shares through multiplying the percentage of participant units that Xing Tong held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in. Xing Tong was also one of the participants of the Chang Yun Share Plan, in which it held approximately 17.86% of the participant units. Therefore, Xing Tong was deemed to be interested in approximately 17.86% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Chang Yun was directly interested in 631,580,000 Shares (representing approximately 4.92% of the total issued share capital of the Company). Therefore, Xing Tong was deemed to be interested in 112,800,188 Shares through multiplying the percentage of participant units that Xing Tong held in Chang Yun Share Plan and the Shares which Chang Yun was interested in.

On 6 May 2022, Mr. Wan Long set up a discretionary family trust, Wan Long Trust, and Cantrust (Far East) Limited is the trustee. On 13 June 2023, Mr. Wan Long transferred the entire issued share capital of Sure Pass, Wan Tong International Holdings Limited and Xing Tong to WLT Management Limited, a company wholly owned by the trustee.

(2) Mr. Guo Lijun was one of the participants of the Chang Yun Share Plan, in which he held approximately 14.08% of the participant units. Hence, Mr. Guo Lijun was deemed to be interested in approximately 14.08% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Chang Yun was directly interested in 631,580,000 Shares (representing approximately 4.92% of the total issued share capital of the Company). Accordingly, Mr. Guo Lijun was deemed to be interested in the 88,926,464 Shares which Chang Yun was interested in through multiplying the percentage of participant units that Mr. Guo Lijun held in Chang Yun Share Plan and the Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao were entrusted to act as the trustees of the Chang Yun Share Plan.

(3) Mr. Guo Lijun was one of the participants of the Heroic Zone Share Plan, in which he held approximately 2.23% of the participant units. Hence, Mr. Guo Lijun was deemed to be interested in approximately 2.23% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Accordingly, Mr. Guo Lijun was deemed to be interested in the 111,990,625 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Mr. Guo Lijun held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in.

(4) Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee, on behalf of all participants of the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy. Mr. Ma Xiangjie was also one of the participants of the Heroic Zone Share Plan, in which he held approximately 0.45% of the participant units. Hence, Mr. Ma Xiangjie was deemed to be interested in approximately 0.45% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Accordingly, Mr. Ma Xiangjie was deemed to be interested in 22,719,601 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Mr. Ma Xiangjie held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in.

(5) Mr. Ma Xiangjie was one of the participants of the Chang Yun Share Plan, in which he held approximately 10.11% of the participant units. Hence, Mr. Ma Xiangjie was deemed to be interested in approximately 10.11% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Chang Yun was directly interested in 631,580,000 Shares (representing approximately 4.92% of the total issued share capital of the Company). Accordingly, Mr. Ma Xiangjie was deemed to be interested in 63,852,738 Shares which Chang Yun was interested in through multiplying the percentage of participant units that Mr. Ma Xiangjie held in Chang Yun Share Plan and the Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao, were entrusted to act as the trustees of the Chang Yun Share Plan.

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

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

(ii) Interests in underlying shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Underlying Shares subject to the Pre-IPO Share Options	Approximate percentage of Shareholding(1)
Mr. Wan Long	Beneficial owner	146,198,889(L)	1.14%
Mr. Guo Lijun	Beneficial owner	40,000,000(L)	0.31%
Mr. Wan Hongwei	Beneficial owner	2,500,000(L)	0.02%
Mr. Ma Xiangjie	Beneficial owner	9,922,417(L)	0.08%
Mr. Charles Shane Smith	Beneficial owner	1,000,000(L)	0.01%

Notes:

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

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

(iii) Interests in associated corporations

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

Other Information (Continued)

Notes:

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

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

Save as disclosed above, as at 30 June 2023, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, so far as was known to any Director or chief executive officer of the Company, Shareholders (other than the Directors or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Cantrust (Far East) Limited[1]	Trustee	3,388,566,101[L]	26.41%
WLT Management Limited[1]	Interest in controlled corporation	3,388,566,101[L]	26.41%
Rise Grand[2]	Interest in controlled corporation	5,029,376,978[L]	39.20%
Mr. Zhang Liwen[2]	Trustee	5,029,376,978[L]	39.20%
Mr. Liu Songtao[2]	Trustee	5,029,376,978[L]	39.20%
Heroic Zone[3]	Beneficial owner	3,473,820,000[L]	27.08%
	Interest in controlled corporation	1,555,556,978[L]	12.12%
Xing Tong[4]	Beneficiary of a trust	2,464,589,123[L]	19.21%
Ms. Wang Meixiang[5]	Interest of spouse	3,536,264,990[L]	27.56%
Mondrian Investment Partners Limited	Investment manager	769,560,450[L]	6.00%

Other Information (Continued)

Notes:

(1) Cantrust (Far East) Limited (the "**Trustee**") is the trustee of Wan Long Trust established by Mr. Wan Long. The Trustee through indirect interest in each of Sure Pass, High Zenith and Xing Tong holds 573,099,645 Shares, 350,877,333 Shares and 2,464,589,123 Shares, respectively. WLT Management Limited, which is wholly-owned by the Trustee, through direct interest in each of Sure Pass, Wan Tong International Holdings Limited (which owns High Zenith as to 100%) and Xing Tong holds 573,099,645 Shares, 350,877,333 Shares and 2,464,589,123 Shares respectively.

(2) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,029,376,978 Shares which Heroic Zone was interested in. As of 30 June 2023, the beneficial interest of Rise Grand was owned by 155 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee (the "**ESC**"), on behalf of all HSP Participants, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy (the "**HSP Trustees**"). Under the Heroic Zone Share Plan, the ESC, on behalf of all HSP Participants, is entitled to instruct the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand, which in turn will instruct Heroic Zone, a wholly owned subsidiary of Rise Grand, as to how to exercise its rights, including the voting rights attached to the Shares it holds in the Company. The members of the ESC are selected by the general meeting of the HSP participants. The ESC has been composed of five members since its establishment.

(3) Chang Yun, High Zenith and Sure Pass should exercise the voting rights attached to their Shares respectively held by them in accordance with the direction of Heroic Zone in its absolute discretion. Therefore, Heroic Zone was deemed to be interested in the 1,555,556,978 Shares in aggregate held by Chang Yun, High Zenith and Sure Pass.

(4) Xing Tong was one of the participants of the Heroic Zone Share Plan, in which it held approximately 46.76% of the participant units. Hence, Xing Tong was deemed to be interested in approximately 46.76% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong was deemed to be interested in the 2,351,788,935 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Xing Tong held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in. Xing Tong was also one of the participants of the Chang Yun Share Plan, in which it held approximately 17.86% of the participant units. Therefore, Xing Tong was deemed to be interested in approximately 17.86% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Xing Tong was deemed to be interested in 112,800,188 Shares that Chang Yun was interested in through multiplying the percentage of participant units that Xing Tong held in Chang Yun Share Plan and the Shares which Chang Yun was interested in.

(5) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 3,536,264,990 Shares which Mr. Wan Long was interested in.

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

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

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

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

		Number of Pre-IPO Share Options				
Grantee	Date of Grant	As at 1 January 2023	Exercised	Cancelled	Lapsed	As at 30 June 2023
Directors/chief executive						
WAN Long (萬隆)	10 July 2014	146,198,889	–	–	–	146,198,889
GUO Lijun (郭麗軍)	10 July 2014	40,000,000	–	–	–	40,000,000
WAN Hongwei (萬宏偉)	10 July 2014	2,500,000	–	–	–	2,500,000
MA Xiangjie (馬相傑)	10 July 2014	9,922,417	–	–	–	9,922,417
SMITH Charles Shane	10 July 2014	1,000,000	–	–	–	1,000,000
Subtotal						199,621,306
Connected persons						
ZHANG Taixi (張太喜)	10 July 2014	40,000,000	–	–	–	40,000,000
HE Jianmin (賀建民)	10 July 2014	2,859,963	–	–	–	2,859,963
LIU Hongsheng (劉紅生)	10 July 2014	2,409,963	–	–	–	2,409,963
YU Songtao (余松濤)	10 July 2014	3,009,963	–	–	–	3,009,963
PAN Guanghui (潘廣輝)	10 July 2014	2,425,963	–	–	–	2,425,963
ZHAO Sufang (趙塑方)	10 July 2014	4,009,963	–	–	–	4,009,963
CAO Xiaojie (曹曉杰)	10 July 2014	4,409,963	–	–	–	4,409,963
LI Jun (李駿)	10 July 2014	2,356,469	–	–	–	2,356,469
ZHAO Guobao (趙國寶)	10 July 2014	1,029,988	–	–	–	1,029,988
LI Yong (李永)	10 July 2014	999,976	–	–	999,976	–
QIAO Haili (喬海莉)	10 July 2014	9,922,417	–	–	–	9,922,417
WANG Yufen (王玉芬)	10 July 2014	9,922,417	–	–	–	9,922,417
LIU Songtao (劉松濤)	10 July 2014	5,879,951	–	–	–	5,879,951
HE Shenghua (賀聖華)	10 July 2014	1,500,000	–	–	–	1,500,000
CHAU Ho (周豪)	10 July 2014	3,500,000	–	–	–	3,500,000
Yan Kam Yin (甄錦燕)	10 July 2014	3,000,000	–	–	–	3,000,000
Zhou Feng (周峰)	10 July 2014	3,000,000	–	–	–	3,000,000
Wang Dengfeng (王登峰)	10 July 2014	2,075,990	–	–	–	2,075,990
Subtotal						101,313,010

Other Information (Continued)

Grantee	Date of Grant	As at 1 January 2023	Exercised	Cancelled	Lapsed	As at 30 June 2023
			Number of Pre-IPO Share Options			
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more						
POPE C. Larry	10 July 2014	27,250,000	–	–	–	27,250,000
THAMODARAN Dhamu R.	10 July 2014	7,000,000	–	–	–	7,000,000
LI Hongwei (李紅偉)	10 July 2014	4,000	–	–	–	4,000
WANG Yonglin (王永林)	10 July 2014	4,249,951	–	–	–	4,249,951
FU Zhiyong (付志勇)	10 July 2014	5,879,951	–	–	–	5,879,951
GUO Xinwen (郭新聞)	10 July 2014	4,889,951	–	–	–	4,889,951
SULLIVAN Kenneth Marc	10 July 2014	12,000,000	–	–	–	12,000,000
Subtotal						61,273,853
Senior management and other employees (in aggregate)	10 July 2014	69,273,565	–	–	6,028,344	63,245,221
Total		432,481,710	–	–	7,028,320	425,453,390

Notes:

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

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

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

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

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

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

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

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

Other Information (Continued)

The total number of Shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company as at 30 June 2023 was 425,453,390 (as at 1 January 2023: 432,481,710), which represented approximately 3.3% of the weighted average number of Shares in issue for the six months ended 30 June 2023 (as at 1 January 2023: approximately 3.4%).

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards set out in the Model Code and the Code of Conduct during the Review Period.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the Review Period, the Company has complied with all the applicable code provisions set out in the CG Code.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

There have been no changes in the information of the Directors and chief executive of the Company since the publication of the 2022 annual report of the Company up to the date of this interim report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

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

On behalf of the Board
Wan Long
Chairman of the Board

Hong Kong, 15 August 2023

GLOSSARY

"Audit Committee"	the audit committee of the Board
"Auspicious Joy"	Auspicious Joy Enterprises Limited, a limited liability company incorporated under the laws of BVI on 8 July 2019
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chang Yun"	Chang Yun Holdings Limited (運昌控股有限公司) a limited liability company incorporated under the laws of the BVI on 12 April 2010 and one of the Controlling Shareholders
"Chang Yun Share Plan"	the share plan dated 23 December 2019, under which a group of existing and former employees of the Group hold 100% of the beneficial interests in Auspicious Joy, which in turn holds 100% of the equity interest in Chang Yun
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CME"	Chicago Mercantile Exchange, Inc.
"Code of Conduct"	the code of conduct regarding securities transactions by the Directors adopted by the Company
"Company"	WH Group Limited (萬洲國際有限公司), a limited liability company incorporated under the laws of the Cayman Islands the Shares of which are listing on the Main Board of the Stock Exchange
"Comparable Period"	the period from 1 January 2022 to 30 June 2022
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith and Sure Pass
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization

Glossary (Continued)

"ESG Committee"	the environmental, social and governance committee of the Board
"EU"	the European Union
"EUR"	the Euro, the lawful currency of the member states of the European Union
"Fitch"	Fitch (Hong Kong) Limited or Fitch Ratings, Inc.
"Food Safety Committee"	the food safety committee of the Board
"Group", "our Group", "our", "we", "us" or "WH Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Heroic Zone"	Heroic Zone Investments Limited (雄域投資有限公司), a limited liability company incorporated under the laws of the BVI on 23 July 2007 and one of the Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated 25 December 2009, revised on 17 December 2012 and 11 July 2016 respectively, under which a group of existing and former employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on 6 September 2013 and one of the Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDR"	issuer default rating
"kg"	kilogram
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	5 August 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange

Glossary (Continued)

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Mexico"	the United Mexican States
"MOA"	the Ministry of Agriculture and Rural Affairs of the People's Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Moody's"	Moody's Investor Service Limited
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on 21 January 2014 as amended on 4 April 2014, for the benefit of any Director, employee, advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Other Information — Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Remuneration Committee"	the remuneration committee of the Board
"Review Period"	the period from 1 January 2023 to 30 June 2023
"Rise Grand"	Rise Grand Group Limited (興泰集團有限公司), a BVI Business Company incorporated under the laws of the BVI on 3 July 2007 and one of the Controlling Shareholders
"Risk Management Committee"	the risk management committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

Glossary (Continued)

"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on 15 October 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (Stock code: 000895), and as the context may require, all or any of its subsidiaries
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on 25 July 1997 and an indirect wholly-owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"S&P"	Standard & Poor's Financial Services LLC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on 25 September 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"US cent"	one-hundredth of one US$
"USDA"	United States Department of Agriculture
"Xing Tong"	Xing Tong Limited (興通有限公司), a limited liability company incorporated under the laws of the BVI on 10 June 2016 and one of the Shareholders