萬洲國際
WH GROUP

WH Group Limited
萬 洲 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

	2023	2022
Packaged meats sold (thousand metric tons)	**3,196**	3,344
Pork sold (thousand metric tons)	**3,959**	4,019

	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)		*US$ million (unless otherwise stated)*	
Revenue	**26,236**	**26,236**	28,136	28,136
EBITDA	**1,972**	**2,005**	3,157	3,103
Operating profit	**1,471**	**1,471**	2,093	2,093
Profit attributable to owners of the Company	**606**	**629**	1,401	1,370
Basic earnings per Share (US cents)	**4.72**	**4.90**	10.92	10.68
Dividend per Share (HK$)				
Interim (paid)	**0.05**	**0.05**	0.05	0.05
Final	**0.25**	**0.25**	0.25	0.25
	0.30	**0.30**	0.30	0.30

- Sales volume of packaged meats and pork decreased by 4.4% and 1.5% respectively.
- Revenue decreased by 6.8%.
- Operating profit decreased by 29.7%.
- Profit attributable to owners of the Company and basic earnings per Share, before biological fair value adjustments, decreased by 56.8%.

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023.

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

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

The Group is a leading global pork company with operations in multiple geographical regions. In 2023, our business in the People's Republic of China ("**China**") contributed 33.3% of the revenue and 64.4% of the operating profit of the Group (2022: 33.9% and 49.7% respectively). Our businesses in the United States of America (the "**U.S.**") and the United Mexican States ("**Mexico**") accounted for 54.0% of the revenue and 22.4% of the operating profit of the Group (2022: 56.0% and 44.9% 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 of 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 dominant position of pork in the Chinese diet, demand has always been stable and strong. As China continues to experience economic development and improvement of people's living standards, market demand for high-quality pork products is expected to expand further. In the meantime, seasonal and cyclical factors are also driving the short-term trend of the industry.

According to the National Bureau of Statistics of China, the total production of hogs in 2023 was 727 million heads, 3.8% higher than 700 million heads in 2022. The total production volume of pork was 57.9 million tons, an increase of 4.6% as compared to 55.4 million tons in the previous year. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of People's Republic of China ("**MOA**"), the average hog price in 2023 was Renminbi ("**RMB**") 15.40 (approximately U.S. Dollar ("**US$**") 2.17) per kilogram ("**kg**"), a decrease of 19.0% as compared to that of 2022. The decrease was mainly due to the continuous increase in supply of market hogs and sluggish consumption demand.

As hog prices remained at relatively low levels, the total volume of imported pork in 2023 was 1.55 million tons according to the statistics of the General Administration of Customs of China, representing a decrease of 11.7% from that of 2022. The key importing regions during the year were the European Union (the "**EU**"), Brazil and Canada in descending order of volume.

U.S.

The U.S. is the second largest pork producing country in the world. The 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, as well as the demand of its domestic and export markets.

With reference to the statistics of U.S. Department of Agriculture ("**USDA**"), overall animal protein production in the U.S. slightly decreased by 0.5% in 2023, in which pork and chicken increased by 1.1% and 0.4% respectively but beef decreased by 4.6%. Specifically for pork, although number of breeding hogs and sows farrowed intentions were lower in 2023, improved sows productivity and hogs' health drove the increase in pork production. On the demand side, high retail prices of products in an inflationary environment and the discontinuation of government stimulus programs curbed domestic consumption. As a result, the average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.36 per kg in 2023, representing a decrease of 17.1% over that of 2022. The average pork cut-out value, as reported by USDA, also decreased by 13.5% year on year to US$1.98 per kg in 2023.

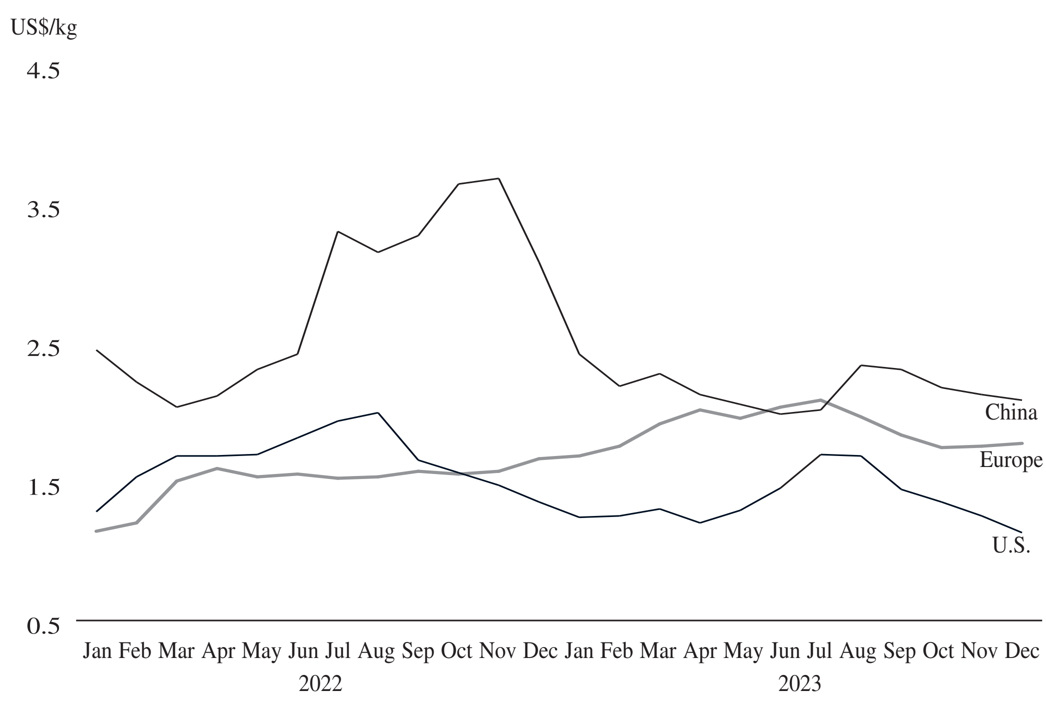
Benefited from the lower commodity prices of pork, export volume of U.S. pork and offals increased by 11.6% year on year according to the USDA. Major export destinations that recorded an increase in export volume included Mexico, South Korea and Canada. On the other hand, U.S. exports to China continued to decrease by 7.5% in 2023 as the price differential became narrow.

Europe

The EU, considering all its member states collectively, is the world's second largest producer of pork after China. The main producers 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, its pork price is highly sensitive to export conditions.

According to the statistics disclosed by the European Commission ("**EC**"), the aggregated pork production volume of the member states of the EU decreased by 7.3% in 2023 over that of 2022. The decrease was primarily due to the negative impact of African Swine Fever ("**ASF**") on production. The unfavourable prospects of export also prompted some producers to adjust their size of operations. Supply contraction coupled with inflation drove the average carcass price in EU up by 22.5% to Euro2.29 (approximately US$2.48) per kg in 2023, which represented an average hog price of approximately Euro1.73 or US$1.87. The relative high prices discounted the export competitiveness of EU. Its total export volume in 2023 decreased by 20.2% over that of 2022. Out of which, shipments to China decreased by 25.3%.

Hog prices in China, the U.S. and Europe during 2022 and 2023



Sources: MOA, CME and EC

II. RESULTS OF OPERATIONS

	2023	2022	Change
	US$ million	*US$ million*	*%*
Revenue[1]			
— Packaged meats[2]	**13,523**	14,559	(7.1)
— Pork[3]	**10,810**	11,797	(8.4)
— Others[4]	**1,903**	1,780	6.9
	26,236	28,136	(6.8)
Operating profit (loss)			
— Packaged meats[2]	**2,050**	2,065	(0.7)
— Pork[3]	**(480)**	30	N/A
— Others[4]	**(99)**	(2)	N/A
	1,471	2,093	(29.7)

Notes:

(1) Revenue refers to net external sales.

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

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

(4) Others' operating loss includes corporate expenses.

In 2023, revenue of the Group decreased by 6.8% to US$26,236 million as sales volume and average selling price of packaged meats and pork decreased. Operating profit also decreased by 29.7% to US$1,471 million. The primary reason was our pork segment recorded an operation loss in 2023 against an operating profit in 2022.

Out of all operating segments, packaged meats has always been our core business. In 2023, packaged meats accounted for 139.4% of the Group's operating profit and 51.5% of the Group's revenue (2022: 98.7% of the operating profit and 51.7% of the revenue). Our pork segment contributed negatively to the Group's operating profit and 41.2% of the Group's revenue (2022: 1.4% of the operating profit and 41.9% of the revenue).

Packaged Meats

	2023	2022	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**3,697**	4,009	(7.8)
U.S.	**8,279**	9,260	(10.6)
Europe	**1,547**	1,290	19.9
	13,523	14,559	(7.1)
Operating profit			
China	**879**	910	(3.4)
U.S.	**1,072**	1,058	1.3
Europe	**99**	97	2.1
	2,050	2,065	(0.7)

In 2023, our packaged meats sales volume decreased by 4.4% to 3,196 thousand metric tons. In China, sales volume decreased by 3.5%. The decrease was mainly due to the overall consumer trend of spending more cautiously and the timing of Spring Festival based on Chinese calendar. It is our continuing strategy to transform our product portfolio by introducing new products and developing new channels. Sales volume in the U.S. decreased by 7.2% in 2023 as a result of the Disposal of Saratoga (as defined hereinbelow) and lower consumer demand. In Europe, our sales volume increased by 2.4% mainly because we completed the Acquisition of Goodies (as defined hereinbelow) during the year.

Revenue of packaged meats in 2023 decreased by 7.1% to US$13,523 million. The decrease of revenue in China by 7.8% was mainly caused by volume decline and local currency depreciation against US$. In the U.S., revenue decreased by 10.6% as sales volume reduced and sales prices adjusted according to contracted formula. In Europe, revenue during the year increased by 19.9% due to sales volume gain and sales prices elevation in response to cost pressure.

Operating profit of packaged meats was US$2,050 million in 2023, a slight decrease of 0.7% from that of 2022. In China, operating profit decreased by 3.4% due to negative currency impact. In terms of RMB, we achieved a record year because the benefit of lower raw material costs outweighed the reduction in sales. In the U.S., notwithstanding the decrease in sales, our operating profit increased by 1.3% due to lower raw material costs, favorable product mix and improved operational efficiency. In Europe, operating profit also increased by 2.1% primarily due to the impact of scale expansion and price adjustments, which countervailed the inflated raw material and other production costs.

Pork

	2023	2022	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**3,812**	4,419	(13.7)
U.S. and Mexico	**5,860**	6,430	(8.9)
Europe	**1,138**	948	20.0
	10,810	11,797	(8.4)
Operating profit (loss)			
China	**54**	94	(42.6)
U.S. and Mexico	**(624)**	(43)	N/A
Europe	**90**	(21)	N/A
	(480)	30	N/A

Total number of hogs processed in 2023 was 49,169 thousand heads, an increase of 0.5% over that of 2022. In China, the number of hogs processed increased by 12.9% as we expanded production to capture more market share. Our processing volume in the U.S. and Mexico net decreased by 2.7%. The decrease was partly due to the closure of our processing facility located at California, the U.S. during the year (as discussed hereinbelow). The processing volume in Mexico, however, increased by 31.4% year on year. In Europe, the number of hogs processed in 2023 decreased by 7.4% as the availability of market hogs was impacted by ASF.

External sales volume of pork was 3,959 thousand metric tons in 2023, 1.5% lower than that of 2022. The decrease was caused by the lower harvest levels in the U.S. and Europe, which was partially offset by the increases in China and Mexico. Pork revenue in 2023 decreased by 8.4% year on year to US$10,810 million. In China, revenue decreased by 13.7% as average pork price was lower and currency translation impact was negative in 2023. In the U.S. and Mexico, revenue decreased by 8.9% as both sales volume and pork value were lower in 2023. In Europe, as the increase in selling prices outweighed the decrease in sales volume, revenue increased by 20.0%.

In 2023, we incurred an operating loss of US$480 million (2022: operating profit of US$30 million). The loss was primarily attributable to our pork operation in the U.S., which was challenged by adverse market conditions. While hog raising costs remained elevated due to high prices of feed grains, pork value was under the pressure of soft consumer demand. During the year, although we significantly improved our performance in the processing part of the operation, we suffered from unprecedented loss associated with the hog production part of the operation. Therefore, the operating loss of pork in the U.S. and Mexico increased from US$43 million in 2022 to US$624 million in 2023. In China, operating profit decreased by 42.6% to US$54 million as consumption was weak and market competition was keen. As a result of the low hog prices, hog production part of the operation in China was also unprofitable. In contrast, operating profit in Europe in 2023 was US$90 million (2022: operating loss of US$21 million). The turnaround was mainly due to the significant increase in hog prices, which outweighed the high raw material and manufacturing costs.

Others

In addition to packaged meats and pork, the Group also engages in certain ancillary businesses which 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 314 million heads of broiler, goose and turkey in total during 2023, representing an increase of 30.8% from that of 2022. The growth of poultry business is integral to our strategy of protein diversification. For our logistics and supply chain management business, we currently own 19 logistics bases across 16 provinces in China covering the majority regions of the nation. Apart from delivering our packaged meats and pork to customers timely and safely, these facilities also provide services to third-party customers.

In 2023, revenue generated by our other businesses amounted to US$1,903 million, representing an increase of 6.9% over that of 2022. The increase was primarily due to the expansion of our poultry operation. The operating profit of other businesses, net of corporate expenses, reduced significantly as the sales of biological pharmaceutical products reduced in the U.S. and the global poultry industry was impacted by high input costs and diseases.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment in various parts of the world. As at the year end of 2023, we owned an annual production capacity of packaged meats of approximately 2.09 million metric tons, 1.62 million metric tons and 0.33 million metric tons with utilization rates of 69.8%, 83.4% and 118.1% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Mexico, and Europe were approximately 25.05 million heads, 30.09 million heads and 5.72 million heads, and their utilization rates were 50.9%, 95.6% and 105.9%, respectively in 2023.

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

	2023	2022	Change
Revenue growth rate (%)	**(6.8)**	3.1	N/A
EBITDA[2] margin (%)	**7.5**	11.2	(3.7) pp
Operating profit margin (%)	**5.6**	7.4	(1.8) pp
— Packaged meats	**15.2**	14.2	1.0 pp
— Pork	**(3.3)**	0.2	N/A
Per unit operating profit (US$/metric ton)			
— Packaged meats	**641.4**	617.5	3.9%
— Pork	**(121.2)**	7.5	N/A
Net profit[2] margin (%)	**3.2**	6.0	(2.8) pp
Current ratio (times)	**1.6**	1.6	—
Cash conversion cycle (days)	**39.7**	37.0	2.7
Debt to equity ratio (%)	**30.5**	32.3	(1.8) pp
Debt to EBITDA[2] ratio (times)	**1.6**	1.1	0.5
Return on total assets (%)	**4.4**	8.4	(4.0) pp
Return on equity (%)	**6.5**	14.9	(8.4) pp

Notes:

(1) pp represents percentage point.

(2) The calculation is based on EBITDA or net profit before biological fair value adjustments.

II. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, procurement of financing which is cost-efficient to the Group, 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 an adequate level of liquidity. As at 31 December 2023, we had cash and bank balances of US$1,156 million (2022: US$1,394 million), which were held primarily in RMB and US$. The aggregate amount of unutilised banking facilities of the Group as at 31 December 2023 was US$5,569 million (2022: US$5,725 million). Out of which, committed banking facilities available to the Group as at 31 December 2023 was US$2,763 million (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 under current assets as financial assets at fair value through profit or loss and debt investments at amortised cost. As at 31 December 2023, the aggregated balance was US$546 million (2022: US$431 million). During the year, 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 31 December 2023 (2022: 1.6 times).

Cash Flows

We fund the operations of the Group principally by cash generated from our operations, bank borrowings and other debt instruments, as well as equity financing from Shareholders. Our cash requirements relate primarily to daily production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, payment of capital expenditures, settlement of interests, distribution of dividends, and any unexpected cash requirements.

In 2023, our net cash from operating activities amounted to US$1,617 million (2022: US$1,803 million). The decrease in operating cash inflow was mainly driven by the decrease in earnings in 2023. Our net cash used in investing activities in 2023 amounted to US$663 million (2022: US$350 million). The increase in investing cash outflow was primarily because we benefited from the receipt of sales proceeds from the Disposal of Saratoga (as defined hereinbelow) in 2022. Our net cash used in financing activities in 2023 amounted to US$1,175 million (2022: US$1,542 million). The net financing cash outflow in both years were mainly related to payment of dividends and reduction of interest-bearing debts. As such, our net decrease in cash and cash equivalents in 2023 was US$221 million (2022: net decrease of US$89 million).

Credit Profile

The Group aims at maintaining a good credit profile for both the Company and its subsidiaries that is beneficial to their long-term growth and development. Our Long-Term Foreign-Currency Issuer Default Rating ("**IDR**") and senior unsecured rating are BBB+ according to Fitch 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 is stable.

For our wholly-owned subsidiary, Smithfield Foods, Inc. ("**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 outlook is also stable.

Debt Profile

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

	As at 31 December 2023	As at 31 December 2022
	US$ million	*US$ million*
Borrowings by nature		
Senior unsecured notes	**1,979**	1,976
Bank borrowings	**1,246**	1,387
Loans from third parties	**3**	3
	3,228	3,366
Borrowings by geographical region		
U.S. and Mexico	**1,991**	1,993
China	**1,173**	1,145
Europe	**64**	228
	3,228	3,366
Borrowings by currency		
US$	**1,980**	2,176
RMB	**1,093**	573
Hong Kong Dollar ("**HK$**")	**78**	370
Other currencies	**77**	247
	3,228	3,366

The Group's total principal amount of outstanding borrowings as at 31 December 2023 was US$3,252 million (2022: US$3,395 million). The maturity profile is analysed as follows:

	Total
In 2024	34%
In 2025	—*%
In 2026	4%
In 2027	19%
In 2029	13%
In 2030	15%
In 2031 or after	15%
	100%

* Less than 1%.

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

Major Financing Activities

There were no major financing activities in 2023.

In 2022, the Group refinanced an existing accounts receivable securitization facility of US$350 million. The new facility extends the maturity to 2025 and allows the Group to pledge certain receivables as security for committed loans and letter of credit up to capacity of US$275 million while to sell certain receivables to purchasing banks at a discount up to a maximum amount of US$250 million.

Leverage Ratios

As at 31 December 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 30.5% and 19.6%, respectively (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 31 December 2023 were 1.6 times and 1.1 times, respectively (2022: 1.1 times and 0.6 times, respectively).

Finance Costs

Our finance costs remained stable at US$169 million in 2023.

As at 31 December 2023, the average interest rate of our outstanding borrowings was 3.2% (2022: 4.0%).

III. CAPITAL EXPENDITURES

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

In 2023, capital expenditures amounted to US$812 million (2022: US$975 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2023	2022
	US$ million	*US$ million*
China	**345**	554
U.S. and Mexico	**354**	338
Europe	**113**	83
	812	975

Our capital expenditures in China were mainly for the establishment of certain production facilities related to poultry and prepared meals. Our capital expenditures in the U.S. and Mexico were primarily deployed on the modernization of our processing plants and upgrade of our packaged meats production facilities. Our capital expenditures in Europe were mainly for plant expansion and several improvement projects.

IV. HUMAN RESOURCES

We believe that success of the Group largely depends on our capacity to attract and retain a dynamic workforce. As at 31 December 2023, the Group had approximately 101 thousand employees in total, in which approximately 46 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 a pre-IPO share option scheme in 2014. In 2023, total remuneration expenses of the Group amounted to US$4,110 million, representing an increase of 1.2% from that of 2022.

V. BIOLOGICAL ASSETS

As at 31 December 2023, we had a total of 12.1 million hogs, consisting of 11.1 million market hogs and 1.0 million breeding stock, a decrease of 8.3% from 13.2 million hogs as at 31 December 2022. We also had a total of 27.1 million poultry, consisting of 24.3 million broilers and 2.8 million breeding stock, an increase of 39.6% from 19.4 million poultry as at 31 December 2022. The fair value of our biological assets was US$1,363 million as at 31 December 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 2023, the net impact of biological fair value adjustments on our profit was a gain in the amount of US$25 million, as compared to a loss in the amount of US$33 million of last year.

VI. KEY INVESTMENT INTERESTS

Strategic Investment Plan in Spain

In October 2023, the Group entered into a share purchase agreement relating to Argal Alimentación S.A. ("**Argal**"), a Spanish producer of charcuterie and other packaged meats. According to the agreement, the Group will assume a 50.1% stake and the current shareholders will maintain 49.9% equity interest in Argal based on a medium-term plan with agreed framework of joint management. We expect this transaction will complete shortly and Argal is going to be a solid platform for our growth in Spain and Europe.

Acquisition of Goodies

In February 2023, the Group completed the acquisition of 100% equity interest 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 year, we continued to incur exit and restructuring costs amounted to US$54 million (2022: US$151 million). On the other hand, we also sold the aforesaid processing facility to an independent third party in June 2023 for net proceeds of US$205 million and recognised a pre-tax disposal gain of US$86 million.

Restructuring of Hog Production in Missouri and Utah, the U.S.

As the hog production part of our pork business experienced significant difficulty in the U.S. during 2023, the Group took severe reformation measures such as reduction of sows, reshuffle of operation geographically, closure of underperforming farms, termination of unqualified contract growers and etc. in Missouri and Utah to sustainably mitigate the operational risks and improve the financial performance of the Group. As a result, our hog production volume in the U.S. cutback by 8% year on year and incurred additional charges of US$176 million in total during 2023 associated with accelerated depreciation, contract termination costs, employee termination benefits, impairments of assets and other exit costs.

Exit of Norson

In November 2022, the Group completed the sale of our entire joint-venture interest in Norson Holding, S. de R.L. de C.V. ("**Norson**"), an integrated hog producer and processor in Mexico, and recognized a pre-tax disposal loss of US$12 million. The exit of Norson was part of our investment strategy in Mexico.

Disposal of Saratoga

In October 2022, the Group completed the sale of our Saratoga Specialty Foods operations ("**Saratoga**"). Saratoga develops and produces spices, seasonings and marinades for internal production of various packaged meats and sale to foodservice industry in the U.S.. As a result of the disposal, we received sale proceeds of US$575 million and recognised a pre-tax gain of US$414 million, net of exit costs, in 2022. The disposal of Saratoga enables the Group to stay focused on its strategic business and to monetarize its non-core assets in favourable terms.

Investments in Renewable Natural Gas

The Group has several joint-ventures and associates in the U.S., namely Align, Monarch and Viceroy, which are engaged in converting waste from our hog farming operations into carbon negative renewable natural gas to power homes, vehicles and businesses. Viceroy was formed in February 2022. Also in February 2022, Monarch issued additional shares representing a 33% ownership interest to a new investor. Our stake in Monarch eventually reduced from 50% to 33% and we recognized a pre-tax gain of US$52 million in 2022.

VII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2023, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management ("**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group is effectively in place.

Commodities Price Risks

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

In China, we mitigate the effects of 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 commodities price changes. Some of these commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risk. The main objective of hedges is to mitigate commodity price risk associated with the raw material costs and forward sales of our packaged meats and pork businesses. While 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 these 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 31 December 2023, approximately 88.9% of our borrowings (other than bank overdrafts) were at fixed interest rates (2022: 76.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedges (if appropriate).

VIII. CONTINGENT LIABILITIES

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

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**").

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 ("**Class Settlements**"). Smithifield also has entered into negotiations to settle certain outstanding non-class cases and related claims. Currently, 34 individual cases (including customers who opted out of the class settlements) remain pending against the Group. We intend to vigorously defend against these claims.

The Board assesses and monitors the financial and operational impacts of material lawsuits on a continuous basis and takes actions which are considered to be in the best interest of the Group. The Group also made provisions for the contingencies based on professional best estimates. More details and further updates (if any) of the Antitrust Litigation and other lawsuits will be available in the 2023 annual report of the Company.

IX. SUSTAINABILITY

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, 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 in various markets we have a presence. Under the guidance of the environmental, social and governance committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group's Corporate Principles. In the reporting period, the Group made reference to the HKEX's Consultation Paper on Enhancement Of Climate-Related Disclosures Under The Environmental, Social And Governance Framework to synthesize potential climate opportunities, fortify our climate risk response and adaptation planning, and extrapolate anticipated qualitative financial impact. We also facilitated the carbon inventory work of Shuanghui Development and Smithfield Foods, inclusive of Scope 3 greenhouse gas emissions from material sourcing, farming, harvesting and processing, distribution, storge, transportation and other processes.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our Environmental, Social and Governance Report to be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.wh-group.com) at the same time as the publication of the 2023 annual report of the Company.

In 2023, the Company remained a constituent stock of the Hang Seng Corporate Sustainability Index ("**HSSUS**") with A+ grade and has retained an ESG rating of BBB by MSCI, the world's largest index company, demonstrating the market's recognition of the Group's performance in sustainable development.

OUTLOOK

In 2023, financial results of the Group had been significantly dragged by the performance of the hog production part of our pork operation in the U.S.. The elevated costs of raising hogs coupled with low hog prices brought us an unprecedented challenge on profitability. To turn the hog production business in the U.S. around, apart from implementing certain ongoing genetic change, health improvement and costs saving programs, we exerted greater efforts in rationalisation of production scale. Through the said series of reform measures, we strived to strengthen ourselves against market risks. We expect the effect of the reform would embody in the upcoming periods progressively. Plus the support of downward trending feed grains cost within the hog raising costs along with the commodity prices, the overall performance of the pork operation in the U.S. would significantly improve in 2024.

For our core business — packaged meats, macro-economic headwinds in 2024 might continue to weigh on consumer confidence and therefore consumption demand in different regions of the world. As a solid and strong packaged meats company, apart from continue to make good use of our strengths, we also rigorously promote adjustment of product mix, expand sales network, manage prices, and save costs to maintain performance and achieve growth. In the meantime, we will optimize our industrial chain, leverage on our global presence to better deploy resources and deepen synergies realisation. With the joint efforts of a cohesive management team, we strive for the best results amid the highly uncertain external environment.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended 31 December 2023, which have been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023			2022		
	Notes	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
REVENUE	*3*	**26,236**	**—**	**26,236**	28,136	—	28,136
Cost of sales		**(21,980)**	**869**	**(21,111)**	(23,202)	243	(22,959)
Gross profit		**4,256**	**869**	**5,125**	4,934	243	5,177
Distribution and selling expenses		**(1,977)**	**—**	**(1,977)**	(2,082)	—	(2,082)
Administrative expenses		**(889)**	**—**	**(889)**	(842)	—	(842)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(646)**	**(646)**	—	(76)	(76)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(190)**	**(190)**	—	(223)	(223)
Other income	*4*	**138**	**—**	**138**	127	—	127
Other gains and (losses)	*5*	**(8)**	**—**	**(8)**	278	—	278
Other expenses		**(289)**	**—**	**(289)**	(62)	—	(62)
Finance costs	*6*	**(169)**	**—**	**(169)**	(169)	—	(169)
Share of profits (losses) of associates		**(4)**	**—**	**(4)**	8	—	8
Share of losses of joint ventures		**(34)**	**—**	**(34)**	(6)	2	(4)
PROFIT BEFORE TAX	*7*	**1,024**	**33**	**1,057**	2,186	(54)	2,132
Taxation	*8*	**(189)**	**(8)**	**(197)**	(503)	21	(482)
PROFIT FOR THE YEAR		**835**	**25**	**860**	1,683	(33)	1,650
Other comprehensive income (expense) for the year:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**(13)**			102
				(13)			102

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

For the year ended 31 December 2023

		2023			2022		
	Notes	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				**105**			(354)
— fair value change in cash flow hedge, net of tax				**2**			(33)
				107			(387)
Other comprehensive income (expense) for the year, net of tax				**94**			(285)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**954**			1,365
Profit for the year attributable to							
— owners of the Company				**629**			1,370
— non-controlling interests				**231**			280
				860			1,650
Total comprehensive income for the year attributable to							
— owners of the Company				**753**			1,161
— non-controlling interests				**201**			204
				954			1,365
EARNINGS PER SHARE	*10*						
— Basic (US cents)				**4.90**			10.68
— Diluted (US cents)				**4.90**			10.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 US$'million	2022 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**6,602**	6,536
Right-of-use assets		**687**	749
Biological assets	*12*	**214**	201
Goodwill		**2,043**	1,992
Intangible assets		**1,707**	1,717
Interests in associates		**134**	126
Interests in joint ventures		**90**	126
Other receivables		**68**	78
Financial assets at fair value through profit or loss		**2**	11
Pledged bank deposits		**4**	5
Deferred tax assets		**86**	58
Other non-current assets		**228**	247
Total non-current assets		**11,865**	11,846
CURRENT ASSETS			
Properties under development		**77**	117
Biological assets	*12*	**1,149**	1,343
Inventories	*13*	**2,919**	2,855
Trade and bills receivables	*14*	**873**	1,087
Prepayments, other receivables and other assets		**503**	699
Debt investments at amortised cost		**469**	282
Financial assets at fair value through profit or loss		**86**	149
Tax recoverable		**7**	6
Pledged/restricted bank deposits		**75**	77
Cash and bank balances		**1,156**	1,394
Total current assets		**7,314**	8,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2023

	Notes	2023 US$'million	2022 US$'million
CURRENT LIABILITIES			
Trade payables	*15*	**1,240**	1,395
Accrued expenses and other payables	*16*	**2,150**	2,513
Lease liabilities		**99**	85
Taxation payable		**63**	130
Borrowings	*17*	**1,106**	862
Total current liabilities		**4,658**	4,985
NET CURRENT ASSETS		**2,656**	3,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,521**	14,870
NON-CURRENT LIABILITIES			
Other payables	*16*	**459**	408
Lease liabilities		**391**	449
Borrowings	*17*	**2,122**	2,504
Deferred tax liabilities		**570**	697
Deferred revenue		**10**	38
Pension liability and other retirement benefits		**394**	362
Total non-current liabilities		**3,946**	4,458
NET ASSETS		**10,575**	10,412
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**9,830**	9,599
Equity attributable to owners of the Company		**9,831**	9,600
Non-controlling interests		**744**	812
TOTAL EQUITY		**10,575**	10,412

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	US$'million	*US$'million*
Net cash flows from operating activities	**1,617**	1,803
Net cash flows used in investing activities	**(663)**	(350)
Net cash flows used in financing activities	**(1,175)**	(1,542)
Net decrease in cash and cash equivalents	**(221)**	(89)
Cash and cash equivalents at beginning of year	**1,394**	1,556
Effect of foreign exchange rate changes	**(17)**	(73)
Cash and cash equivalents at end of year	**1,156**	1,394
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,156**	1,394

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

The address of the registered office of the Company and the address of its principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended 31 December 2023 comprise the Company and its entities (including structured entities, controlled by the Group) (collectively referred to as the "**Group**") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in the production and sale of packaged meats and pork.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

(a) 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

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

(c) 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. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

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

(d) 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. The Group has applied the amendments and the mandatory temporary exception retrospectively.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2023	2022
	US$'million	*US$'million*
Packaged meats	**13,523**	14,559
Pork	**10,810**	11,797
Others	**1,903**	1,780
	26,236	28,136

Segment information

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

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	For the year ended 31 December 2023			
	Packaged meats *US$'million*	**Pork** *US$'million*	**Others** *US$'million*	**Total** *US$'million*
China				
Gross segment revenue	**3,698**	**4,466**	**1,707**	**9,871**
Less: Inter-segment revenue	**(1)**	**(654)**	**(468)**	**(1,123)**
Revenue	**3,697**	**3,812**	**1,239**	**8,748**
Reportable segment profit	**879**	**54**	**15**	**948**
U.S. and Mexico				
Gross segment revenue	**8,280**	**8,934**	**37**	**17,251**
Less: Inter-segment revenue	**(1)**	**(3,074)**	**(1)**	**(3,076)**
Revenue	**8,279**	**5,860**	**36**	**14,175**
Reportable segment profit (loss)	**1,072**	**(624)**	**(118)**	**330**
Europe				
Gross segment revenue	**1,595**	**1,720**	**788**	**4,103**
Less: Inter-segment revenue	**(48)**	**(582)**	**(160)**	**(790)**
Revenue	**1,547**	**1,138**	**628**	**3,313**
Reportable segment profit	**99**	**90**	**4**	**193**
Total				
Gross segment revenue	**13,573**	**15,120**	**2,532**	**31,225**
Less: Inter-segment revenue	**(50)**	**(4,310)**	**(629)**	**(4,989)**
Revenue	**13,523**	**10,810**	**1,903**	**26,236**
Reportable segment profit (loss)	**2,050**	**(480)**	**(99)**	**1,471**
Net unallocated expenses				**(240)**
Biological fair value adjustments				**33**
Finance costs				**(169)**
Share of losses of associates				**(4)**
Share of losses of joint ventures				**(34)**
Profit before tax				**1,057**

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	For the year ended 31 December 2022			
	Packaged meats *US$'million*	Pork *US$'million*	Others *US$'million*	Total *US$'million*
China				
Gross segment revenue	4,010	5,033	1,529	10,572
Less: Inter-segment revenue	(1)	(614)	(421)	(1,036)
Revenue	4,009	4,419	1,108	9,536
Reportable segment profit	910	94	36	1,040
U.S. and Mexico				
Gross segment revenue	9,262	10,393	75	19,730
Less: Inter-segment revenue	(2)	(3,963)	—	(3,965)
Revenue	9,260	6,430	75	15,765
Reportable segment profit (loss)	1,058	(43)	(75)	940
Europe				
Gross segment revenue	1,339	1,420	720	3,479
Less: Inter-segment revenue	(49)	(472)	(123)	(644)
Revenue	1,290	948	597	2,835
Reportable segment profit (loss)	97	(21)	37	113
Total				
Gross segment revenue	14,611	16,846	2,324	33,781
Less: Inter-segment revenue	(52)	(5,049)	(544)	(5,645)
Revenue	14,559	11,797	1,780	28,136
Reportable segment profit (loss)	2,065	30	(2)	2,093
Net unallocated income				260
Biological fair value adjustments				(54)
Finance costs				(169)
Share of profits of associates				8
Share of losses of joint ventures				(6)
Profit before tax				2,132

4. OTHER INCOME

	2023	2022
	US$'million	*US$'million*
Government subsidy	**43**	47
Bank interest income	**49**	37
Income on sales of raw materials	**8**	11
Others	**38**	32
	138	127

5. OTHER GAINS AND (LOSSES)

	2023	2022
	US$'million	*US$'million*
Gain (loss) on non-qualified retirement plan assets	**15**	(26)
Fair value gain on financial assets at fair value through profit and loss	**11**	8
Gain on disposal of property, plant and equipment	**82**	17
Impairment loss on property, plant and equipment	**(8)**	(1)
Impairment loss on investment in a joint venture	**—**	(24)
Net exchange losses	**(9)**	(12)
Net gain on disposal/deemed disposal of investment in joint ventures	**—**	40
Gain on insurance recovery	**9**	7
Gain on disposal of assets of a subsidiary	**—**	414
Accelerated depreciation and amortisation	**(75)**	(97)
Others	**(33)**	(48)
	(8)	278

6. FINANCE COSTS

	2023	2022
	US$'million	*US$'million*
Interest on senior unsecured notes	**(78)**	(78)
Interest on bank and other loans	**(69)**	(65)
Interest on lease liabilities	**(21)**	(23)
Amortisation of transaction costs	**(4)**	(4)
Less: Amounts capitalised in the cost of qualifying assets	**3**	1
	(169)	(169)

7. PROFIT BEFORE TAX

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

	2023	2022
	US$'million	*US$'million*
Auditor's remuneration		
Audit services	**6**	5
Non-audit services	**1**	1
Depreciation of property, plant and equipment	**652**	660
Depreciation of right-of-use assets	**116**	131
Amortisation of intangible assets included in administrative expenses	**11**	9
Amortisation of other non-current assets	**—**	2
Inventories provisions, net, included in cost of sales	**101**	62
Recognition (reversal) of impairment loss on trade receivables, net, included in administrative expenses	**4**	(2)
Lease payments not included in the measurement of lease liabilities	**171**	132
Research and development expenses	**204**	182
Staff costs (excluding directors' remuneration)	**4,101**	4,050
Legal contingencies	**153**	20

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

8. TAXATION

	2023	2022
	US$'million	*US$'million*
China income tax	**(220)**	(241)
U.S. income tax	**(33)**	(205)
Europe income taxes	**(24)**	(23)
Other income taxes	**—***	—*
Withholding tax	**(39)**	(57)
Deferred taxation	**119**	44
	(197)	(482)

* Less than US$1 million.

9. DIVIDENDS

	2023	2022
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2022 final dividend of HK25.0 cents per share (2021: HK14.0 cents)	**409**	229
2023 interim dividend of HK5 cents per share (2022: HK5 cents)	**81**	82
	490	311

The final dividend of HK25.0 cents per share in respect of the year ended 31 December 2023 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2023	2022
	US$'million	*US$'million*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**629**	1,370
	million shares	*million shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**12,830**	12,830

Note: Diluted earnings per share for the years ended 31 December 2023 and 31 December 2022 were the same as the basic earnings per share as the Group had no potentially dilutive ordinary shares during the years.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$655 million (2022: US$1,266 million) on additions of property, plant and equipment.

12. BIOLOGICAL ASSETS

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

	2023	2022
	Head 'million	*Head 'million*
Live hogs		
— suckling	**2**	2
— nursery	**1**	2
— finishing	**8**	8
	11	12
Breeding stock (hogs)	**1**	1
	12	13
Broilers	**24**	17
Breeding stock (poultry)	**3**	2
	27	19

	2023	2022
	US$'million	*US$'million*
Current assets	**1,149**	1,343
Non-current assets	**214**	201
	1,363	1,544

Fair value measurement — Level 3

	2023	2022
	US$'million	*US$'million*
Biological assets		
Live hogs	**1,111**	1,308
Breeding stock (hogs)	**186**	193
Broilers	**38**	35
Breeding stock (poultry)	**28**	8
	1,363	1,544

12. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3 (continued)

The fair values of breeding stock (hogs) is determined based on the average of the historical selling price of hog 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 value of breeding stock (poultry) is determined by the replacement cost method, which is based on the cost of restoring the breeders to their original condition, taking into account the newness and residual value (2022: the fair value of breeding stock (poultry) is determined based on the average of the historical selling price of poultry of similar breed and genetic merit less costs to sell). The estimated fair value will increase when there is an increase in the chicken breeds price or breeding cost, or decrease in the culling rate, and vice versa.

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

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

13. INVENTORIES

	2023	2022
	US$'million	*US$'million*
Raw materials	**1,425**	1,286
Work in progress	**172**	152
Finished goods	**1,322**	1,417
	2,919	2,855

14. TRADE AND BILLS RECEIVABLES

	2023	2022
	US$'million	*US$'million*
Trade receivables	**887**	1,090
Impairment	**(16)**	(11)
	871	1,079
Bills receivable	**2**	8
	873	1,087

14. TRADE AND BILLS RECEIVABLES (continued)

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

	2023	2022
	US$'million	*US$'million*
Current to 30 days	**784**	989
31 to 90 days	**88**	96
91 to 180 days	**1**	2
Over 180 days	**—***	—*
	873	1,087

* Less than US$1 million.

15. TRADE PAYABLES

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

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

	2023	2022
	US$'million	*US$'million*
Within 30 days	**1,227**	1,384
31 to 90 days	**9**	8
91 to 180 days	**3**	1
181 to 365 days	**1**	2
	1,240	1,395

16. ACCRUED EXPENSES AND OTHER PAYABLES

	2023	2022
	US$'million	*US$'million*
Accrued staff costs	**543**	592
Deposits received	**75**	87
Sales rebates payables	**153**	176
Payables in respect of acquisition of property, plant and equipment	**263**	377
Accrued insurance	**136**	130
Interest payable	**24**	24
Balance of contingent consideration in respect of acquisition of subsidiaries	**249**	200
Growers payables	**48**	49
Pension liability	**23**	24
Derivative financial instruments	**30**	18
Accrued professional expenses	**8**	8
Accrued rent and utilities	**35**	39
Dividend payables	**8**	12
Contract liabilities	**298**	536
Other accrued expenses	**523**	478
Other payables	**193**	171
	2,609	2,921
Analysed for reporting purposes as:		
Current liabilities	**2,150**	2,513
Non-current liabilities	**459**	408
	2,609	2,921

17. BORROWINGS

	2023	2022
	US$'million	*US$'million*
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	**598**	598
5.200% senior unsecured notes due April 2029	**397**	396
3.000% senior unsecured notes due October 2030	**492**	491
2.625% senior unsecured notes due September 2031	**492**	491
	1,979	1,976
Commercial papers	**—**	—
Bank loans:		
Secured	**7**	6
Unsecured	**1,239**	1,381
Loans from third parties:		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings	**3,228**	3,366
Borrowings are repayable as follows:		
Within one year	**1,106**	862
One to two years	**12**	148
Two to five years	**728**	975
After five years	**1,382**	1,381
	3,228	3,366
Less: Amounts due within one year shown under current liabilities	**(1,106)**	(862)
Amounts due after one year	**2,122**	2,504
Total borrowings		
At fixed rates	**2,870**	2,557
At floating rates	**358**	809
	3,228	3,366

17. BORROWINGS (continued)

	2023	2022
	US$'million	*US$'million*
Analysis of borrowings by currency:		
Denominated in US$	**1,980**	2,176
Denominated in RMB	**1,093**	573
Denominated in HK$	**78**	370
Denominated in other currencies	**77**	247
	3,228	3,366

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Ms. Zhou Hui (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the external auditor of the Company, Ernst & Young ("**EY**"), and reviewed the Group's consolidated financial information for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group's consolidated financial information comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial information for the year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes to the consolidated financial information thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by EY, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance has been expressed by EY on this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix C1 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"). The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2023.

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 year ended 31 December 2023.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.25 per share of the Company ("**Share**") for the year ended 31 December 2023 (the "**2023 Final Dividend**") to the shareholders of the Company (the "**Shareholders**") subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company. Taking into account of the interim dividend of HK$0.05 per Share paid on 29 September 2023, total dividend for the year ended 31 December 2023 will be HK$0.30 per Share (2022: HK$0.30 per Share). The 2023 Final Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Tuesday, 21 May 2024 on or about Thursday, 30 May 2024.

CLOSURE OF REGISTER OF MEMBERS

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

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

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Monday, 6 May 2024 to Thursday, 9 May 2024, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Registrar**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2024.

(ii) To qualify for the proposed 2023 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2023 Final Dividend, the registers of members of the Company will be closed from Friday, 17 May 2024 to Tuesday, 21 May 2024, both days inclusive. In order to qualify for the proposed 2023 Final Dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Thursday, 16 May 2024.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Thursday, 9 May 2024. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2023 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

By order of the Board
WH Group Limited
Wan Long
Chairman

Hong Kong, 26 March 2024

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