萬洲國際
WH GROUP

萬洲國際有限公司
WH GROUP LIMITED

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

INTERIM REPORT 2021

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. LEE Conway Kong Wai
Mr. LAU, Jin Tin Don

Company Secretary
Mr. CHAU Ho

Audit Committee
Mr. LEE Conway Kong Wai (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Remuneration Committee
Mr. HUANG Ming (Chairman)
Mr. LEE Conway Kong Wai
Mr. JIAO Shuge

Nomination Committee
Mr. WAN Long (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Environmental, Social and Governance Committee
Mr. GUO Lijun (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LAU, Jin Tin Don

Food Safety Committee
Mr. WAN Long (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LEE Conway Kong Wai

Risk Management Committee
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LEE Conway Kong Wai

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

Legal Advisor
Paul Hastings

Principal Bankers
Agricultural Bank of China
Bank of America N.A.
Bank of China
Citibank
Coöperatieve Rabobank U.A.
The Hongkong and Shanghai Banking Corporation

Authorised Representatives

Mr. WAN Long
Mr. CHAU Ho

Share Registrar and Transfer Office

Principal

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Branch

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office

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

Principal Place of Business and Corporate Headquarters in Hong Kong

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Level 76, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	Six months ended 30 June 2021	2020
Key operating data		
Packaged meats sold (thousand metric tons)	**1,614**	1,575
Pork sold (thousand metric tons)	**2,138**	1,942

	Six months ended 30 June 2021		2020	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated) (unaudited)		US$ million (unless otherwise stated) (unaudited)	
Key financial data				
Revenue	**13,331**	**13,331**	12,481	12,481
EBITDA	**1,227**	**1,376**	1,236	930
Operating profit	**920**	**920**	925	925
Profit attributable to owners of the Company	**539**	**652**	550	317
Basic earnings per share (US cents)	**3.66**	**4.42**	3.73	2.15
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Sales volume of packaged meats and pork increased by 2.5% and 10.1% respectively
- Revenue increased by 6.8%
- Operating profit decreased by 0.5%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 2.0%

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 this report.

I. Industry Overview

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

China

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

According to the National Bureau of Statistics of China, the total production of hogs during the Review Period was 337.42 million heads, 34.4% higher than 251.03 million heads for the Comparable Period. The total production of pork was 27.15 million tons, an increase of 35.9% as compared to 19.98 million tons in the Comparable Period. With reference to the statistics published by the MOA, the average hog price in the Review Period was RMB25.94 (approximately US$4.01) per kg, a decrease of 23.6% as compared to that of the Comparable Period. The main driving factor of the above industrial trends was the declining impact of African Swine Fever ("**ASF**"). As supplies restored, hog prices experienced a continued decline during the Review Period.

The total volume of imported pork in the Review Period was 2.95 million tons according to the statistics of the General Administration of Customs of China. As the hog prices trended downwards, the period on period growth rate of import volume slowed down from nearly double in the Comparable Period to 4.5% in the Review Period. The key importing regions were the European Union (the "**EU**"), the U.S. and Brazil in descending order of volume.

U.S.

The U.S. is the second largest pork producing country worldwide. The entire industry is relatively mature and concentrated. As the U.S. is also the world's largest pork exporting country, hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets. For the market dynamics in the Review Period and Comparable Period, they were also significantly impacted by the outbreak of coronavirus disease 2019 ("**COVID-19**") in the U.S. during 2020.

With reference to the statistics of USDA, overall animal protein production in the U.S. was up by 1.8% in the Review Period, in which pork rose 1.7%, beef rose 6.5% while chicken stayed flat. The increase in pork production was mainly due to COVID-19 disruptions such as plant closures and logistics challenges in the Comparable Period.

The average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.58 per kg in the Review Period, an significant increase of 66.3% over that of the Comparable Period due to robust demand. Domestic demand was supported by the recovery of consumer markets largely driven by government stimulus packages. Export demand remained steady at a relatively high level. According to the USDA, export volume of U.S. pork and offals increased by 0.6% to 1.48 million metric tons in the Review Period. Despite of different product preferences and favourable currency movements, U.S. exports to China reduced by 18.4% in the Review Period as price differentials narrowed substantially. On the other hand, exports to Mexico, Colombia and Japan increased considerably, which offset the decrease of exports to China.

For pork cut-out value, the average was up 38.6% in the Review Period, according to the USDA. As the degree of increase in hog prices largely exceeded the increase in pork values, the market dynamic was extremely unfavourable to processors whose margins were eroded by the contraction of price spread.

Europe

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

According to the latest statistics disclosed by the European Commission, average pork production of the member states of the EU increased by 4.8% in the first five months of 2021 over that of 2020 as disruptions brought by COVID-19 negatively affected production during the Comparable Period. Therefore, the average carcass price decreased by 13.8% to Euro 1.54 per kg in the Review Period. Meanwhile, total export volume of the EU increased by 20.7% in the first five months of 2021 over that of 2020 as supply deficits continued in countries which were under the challenge of ASF. Benefited from steady domestic and export demand, carcass prices bottomed out in the Review Period.

II. Results of Operations

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

	Six months ended 30 June		
	2021	2020	Change
	US$ million	US$ million	%
Revenue[1]			
— Packaged meats[2]	6,464	5,836	10.8%
— Pork[3]	6,139	6,136	0.0%
— Others[4]	728	509	43.0%
	13,331	12,481	6.8%
Operating profit (loss)			
— Packaged meats[2]	816	694	17.6%
— Pork[3]	77	266	(71.1%)
— Others[4],[5]	27	(35)	N/A
	920	925	(0.5%)

Notes:

(1) Revenue refers to net external sales.

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

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

(4) Others represent ancillary businesses other than packaged meats and pork.

(5) Others operating profit (loss) includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 48.5% (Comparable Period: 46.8%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 88.7% in the Review Period (Comparable Period: 75.0%).

Geographically, our operations in China contributed 40.9% and 57.0% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 41.8% and 59.5%). Contribution of our operations in the U.S. to the revenue and operating profit of the Group in the Review Period were 49.6% and 34.5% (Comparable Period: 49.0% and 29.8%), respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended 30 June		
	2021	2020	Change
	US$ million	US$ million	%
Revenue			
China	**2,099**	1,971	6.5%
U.S.	**3,872**	3,407	13.6%
Europe	**493**	458	7.6%
	6,464	5,836	10.8%
Operating profit			
China	**408**	417	(2.2%)
U.S.	**358**	243	47.3%
Europe	**50**	34	47.1%
	816	694	17.6%

In the Review Period, our packaged meats sales volume increased by 2.5% to 1,614 thousand metric tons. In China, sales volume in the Review Period slightly increased by 0.3% as consumer market remained stable. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Sales volume in the U.S. increased by 4.3% during the Review Period due to recovery of food service and industrial demand. In Europe, our sales volume increased by 5.8% as we achieved solid growth in convenience and smoke categories as well as in traditional and export channels.

Revenue during the Review Period increased by 10.8% to US$6,464 million. Revenue in China increased by 6.5% mainly due to local currency appreciation. In the U.S., revenue increased by 13.6% as sales volume and prices were higher than that of the Comparable Period due to demand growth and upward pricing adjustments. In Europe, revenue in the Review Period was up 7.6% as a result of increase in sales volume and improvement of product mix.

Operating profit was US$816 million in the Review Period, an increase of 17.6% from that of the Comparable Period. In China, although primary raw material costs decreased due to post-ASF hog price correction, operating profit was 2.2% lower than that of the Comparable Period as costs of other ingredients, labour compensation and marketing expenses increased. In the U.S., operating profit in the Review Period grew notably by 47.3% primarily due to the reduction of COVID-19 related expenses and increase in sales, which countervailed the increase in raw material costs. In Europe, our operating profit increased significantly by 47.1% as compared to the Comparable Period as raw material costs decreased in light of the lower hog prices.

Pork

	Six months ended 30 June 2021 US$ million	 2020 US$ million	 Change %
Revenue			
China	**2,871**	2,907	(1.2%)
U.S.	**2,695**	2,712	(0.6%)
Europe	**573**	517	10.8%
	6,139	6,136	0.0%
Operating profit (loss)			
China	**68**	100	(32.0%)
U.S.	**(17)**	96	N/A
Europe	**26**	70	(62.9%)
	77	266	(71.1%)

Total number of hogs processed in the Review Period was 25,341 thousand heads, an increase of 13.1% over that of the Comparable Period. In China, the number of hogs processed significantly increased by 53.8% to 5,037 thousand heads as supplies progressively recovered from ASF and consumer demand was supported by lower pork prices. Our processing volume in the U.S. increased by 4.0% as capacity utilisation was hindered in the Comparable Period due to pandemic. In Europe, the number of hogs processed in the Review Period increased by 16.7% as we ramped up the capacity that was acquired recently. External sales volume of pork was 2,138 thousand metric tons, 10.1% higher than the level of the Comparable Period. The increase was derived from our growth of business in all operating regions.

Pork revenue in the Review Period remained consistent with the Comparable Period. In China, revenue decreased by 1.2% as the impact of decrease in pork prices surpassed the increase in sales volume. In the U.S., revenue slightly decreased by 0.6% as the reduction in hedging revenue on forward sales of hogs was largely offset by the increase in sales volume and prices. In Europe, revenue increased by 10.8% as sales volume expanded although sales prices were unfavourable.

Our operating profit of pork decreased significantly by 71.1% to US$77 million in the Review Period. In China, operating profit decreased by 32.0%. Although our scale of slaughtering benefited from the decrease in hog prices during the Review Period, we recorded a write down of inventories based on the prevailing market prices at the end of the Review Period. Besides, the contributions from release of inventories and sale of imported pork reduced as compared to the Comparable Period. In the U.S., we made an operating loss of US$17 million in the Review Period (Comparable Period: operating profit of US$96 million). The loss was mainly attributable to processing as hog costs rose faster than meat values and labour shortages lowered production efficiency. The negative impact of these two factors outweighed the reduction in COVID-19 related expenses. In contrast, hog prices were low and spread between prices of hog and pork was relatively extensive in spite of many COVID-19 challenges in the Comparable Period. In Europe, operating profit decreased significantly by 62.9% in the Review Period as rising grain prices increased our hog raising costs, but pork prices decreased due to ASF.

Others

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

During the Review Period, revenue generated by our other businesses amounted to US$728 million, an increase of 43.0% as compared to that of the Comparable Period. Our poultry business in Europe and China and logistics business in China made a respectable contribution to our other businesses. Our poultry business processed approximately 88.69 million heads of broiler, goose and turkey in the Review Period, which represented an increase of 17.2% from that of the Comparable Period. The growth of poultry business is an integral part of our strategy in protein diversification. Our logistics business currently owns 19 logistics centers across 15 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and pork to customers timely and safely.

III. Analysis of Capital Resources

Treasury Management

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

Liquidity

The Group continues to maintain a strong level of liquidity. As at 30 June 2021, we had cash and bank balances of US$1,704 million (As at 31 December 2020: US$1,599 million), which were held primarily in RMB, US$, HK$, PLN and RON. From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as current financial assets at fair value through profit or loss. As at 30 June 2021, the balance was US$532 million (As at 31 December 2020: US$882 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at 30 June 2021 (as at 31 December 2020: 1.9 times). The aggregate amount of unutilised banking facilities as at 30 June 2021 was US$5,635 million (as at 31 December 2020: US$5,032 million).

Cash Flows

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

In the Review Period, our net cash from operating activities amounted to US$272 million (Comparable Period: US$1,219 million). The significant decrease in cash inflow was mainly caused by the increase in inventory and account receivables in particular in the U.S. as hog prices went up considerably during the Review Period. Our net cash from investing activities in the Review Period amounted to US$2 million (net cash used in Comparable Period: US$137 million). The change was mainly associated with the increase in the redemption of financial products upon maturity. Our net cash used in financing activities in the Review Period amounted to US$126 million (Comparable Period: US$176 million). The decrease in cash outflow was mainly due to the net increase in borrowings which exceeded the increase in dividends paid. After all, our net increase in cash and cash equivalents was US$148 million in the Review Period (Comparable Period: US$906 million).

Share Buy-back Offer

On 6 June 2021, the Company announced that the Board resolved on 2 June 2021 for a conditional voluntary cash offer to be made by Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited on behalf of the Company to buy-back, subject to certain conditions, for cancellation up to the maximum number, being 1,916,937,202 Shares, representing approximately 13.0% of the issued share capital (the "**Share Buy-back Offer**") of the Company as at 30 June 2021, at a cash consideration of HK$7.80 per Share (the "**Offer Price**") to return capital to the Shareholders and optimise its capital structure. The Share Buy-back Offer is expected to provide an opportunity for the Shareholders either to tender Shares to realise part of their investments in the Company at a premium to recent market prices and to the Group's net asset value per Share, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the prospects of the Group. The Share Buy-back Offer, if accepted in full at the Offer Price, will result in the Company paying approximately HK$14,952 million, which is equivalent to approximately US$1,929 million, in cash in aggregate no later than 8 September 2021. Such payment will be funded by internal resources of the Group and a committed facility ("**Committed Facility**").

On 11 August 2021, the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong has granted the whitewash waiver (the "**Whitewash Waiver**") to Heroic Zone pursuant to Note 1 on dispensations from Rule 26 of the Code on Takeovers and Mergers of Hong Kong subject to fulfillment of certain conditions. On 16 August 2021, the resolutions in respect of the Share Buy-back Offer and the Whitewash Waiver proposed at the extraordinary general meeting of the Company were duly passed through voting by way of poll. As all the conditions of the Share Buy-back Offer have been fulfilled, the Share Buy-back Offer has become unconditional in all respects on 16 August 2021. As at the 4:00 p.m. (Hong Kong time) on 30 August 2021, being the latest acceptance time, as the total number of Shares validly tendered under the Share Buy-back Offer exceeded the maximum number of Shares to be bought-back pursuant to the Share Buy-back Offer, being 1,916,937,202 Shares, a total of 1,916,937,202 Shares would be bought back by the Company. The total consideration payable by the Company for buying back 1,916,937,202 Shares pursuant to the Share Buy-back Offer is approximately HK$14,952 million. On 8 September 2021, 1,916,937,202 Shares were bought-back by the Company pursuant to the Share Buy-back Offer and were cancelled.

Major Financing Activities

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

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

Debt Profile

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

	At 30 June 2021 US$ million	At 31 December 2020 US$ million
Borrowings by nature		
Senior unsecured notes	2,069	2,098
Bank borrowings	780	535
Loans from third parties	3	3
Bank overdrafts	—	46
	2,852	2,682
Borrowings by geographical region		
U.S.	2,119	2,098
China	614	538
Europe	119	46
	2,852	2,682

The Group's total principal amount of outstanding borrowings as at 30 June 2021 was US$2,876 million (As at 31 December 2020: US$2,706 million). The maturity profile is analysed as follows:

	As a % of total borrowings
In 2021	20%
In 2022	25%
In 2023	1%
In 2026	2%
In 2027	21%
In 2029	14%
In 2030	17%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 74.3% of our borrowings were denominated in US$ as at 30 June 2021 (as at 31 December 2020: 78.3%). The rest of our borrowings was denominated in RMB, PLN, British Pound and EUR.

As at 30 June 2021, 99.8% of our borrowings were unsecured (As at 31 December 2020: 99.5%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Leverage Ratios

As at 30 June 2021, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less cash and bank balances to consolidated total equity) were 25.1% and 10.1%, respectively (as at 31 December 2020: 24.4% and 9.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less cash and bank balances to EBITDA as at 30 June 2021, before biological fair value adjustments) were 1.3 times and 0.5 times, respectively (as at 31 December 2020: 1.2 times and 0.5 times, respectively).

Finance Costs

Our finance costs were US$68 million in the Review Period (Comparable Period: US$68 million).

As at 30 June 2021, the average interest rate of our total borrowings was 3.4% (as at 31 December 2020: 3.5%).

Credit Profile

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

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

IV. Human Resources

We continue to focus on talent management and employee engagement. As at 30 June 2021, we had approximately 106 thousand employees in total, of which approximately 50 thousand employees were with our China operation, approximately 38 thousand and 18 thousand employees were with our U.S. and European operations respectively. The Group provides training programs to the employees with a view to constantly improve their skills and knowledge. It is also our policy to ensure that remuneration for employees, is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses in the Review Period amounted to US$1,934 million (Comparable Period: US$1,930 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonuses; and long term incentives such as retirement benefits schemes.

V. Biological Assets

As at 30 June 2021, we had a total of 13,043 thousand hogs, consisting of 11,976 thousand live hogs and 1,067 thousand breeding stock, an decrease of 3.1% from 13,463 thousand hogs as at 31 December 2020. We also had a total of 11,614 thousand poultry, consisting of 10,607 thousand broilers and 1,007 thousand breeding stock. The fair value of our biological assets was US$1,317 million as at 30 June 2021, as compared to US$1,182 million as at 31 December 2020.

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

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$111 million, as compared to a loss in the amount of US$232 million in the Comparable Period.

VI. Key Investment Interests

Acquisition of Subsidiaries

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

Investment in Joint Ventures

The Group has joint venture interests in various parts of the world. In the U.S., we have two joint ventures engaged in renewable gas operation. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LCC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. Align and Monarch convert waste from hog farming operations in Utah and Missouri into clean energy for homes, businesses and transportation. During the Review Period, Align fully completed the construction of its operating plant and Monarch completed two additional projects for a total of eight projects in operation. The Group will continue to invest in such projects and expect them to generate economic benefits as well as contribute to our environmental, social and governance goals.

In Mexico, we have joint venture interests in two pork companies, GCM and Norson. GCM is a main producer of hogs in the country and participates in hogs processing. Norson is an integrated hog producers and processors. In the Review Period, the Group's share of profit from the two Mexican joint ventures was US$14 million (Comparable Period: US$2 million). At the end of the Review Period, GCM and Norson had in aggregate approximately 155 thousand sows and owned processing facilities with an annual production capacity of 2.6 million hogs.

To further expand our business in Mexico, the Group signed a shareholders agreement with the joint venture partner of GCM to increase our equity interest in GCM from 50% to 66%. The transaction was completed on 7 July 2021. Since then, the Group consolidates the capacity of GCM including the production of 1.7 million heads and processing of approximately 1.2 million heads of hogs per annum. It is expected that GCM and Norson will continue to be our important investments in Mexico and play an important role in the Group's development of North America market.

VII. Capital Expenditures

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

Capital expenditures amounted to US$321 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	
	2021	2020
	US$ million	US$ million
China	**215**	59
U.S.	**78**	144
Europe	**28**	31
	321	234

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

VIII. Key Risks and Their Management

Risk Management

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

Commodities Price Risks

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

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

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at 30 June 2021, approximately 94.2% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at 31 December 2020: 98.6%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

IX. Contingent Liabilities

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

As disclosed in our announcement on 1 July 2021 and offer document dated 30 July 2021, Smithfield has been named as one of 16 defendant pork producers in a series of purported class actions filed by three groups of plaintiffs, alleging anti-trust violations in the pork industry starting in 2009 and continuing through at least June 2018 for agreeing to reduce the supply of hogs in the U.S. to raise the price of hogs and all pork products. Smithfield was also named as a defendant in similar anti-trust lawsuits brought by a number of individual purchasers and not on behalf of a class. These plaintiffs seek treble damages, attorneys' fees, and costs under various anti-trust laws and consumer-protection statutes of the U.S. (the "**Anti-trust Litigations**"). Under an agreement dated 29 June 2021, Smithfield has agreed to settle all class claims by the direct purchaser group for a single payment of US$83 million to reduce exposure of the Group. The settlement terms are subject to the approval from federal court. The Group intends to continue to vigorously defend against the remaining Anti-trust Litigations and will assess alternatives to resolve the Anti-trust Ligations which is going to be in the best interests of the Company and its Shareholders.

Details of the Anti-trust Litigations are set out in Note 18 to the interim financial information of this report. Our management assesses and monitors the financial and operational impacts of all contingent liabilities including the Anti-trust Litigations and other lawsuits. As at the date of this report, to the best knowledge, information and belief of the Directors, the Board believes that their impacts have been appropriately accounted for in our results.

X. 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 conducted review on the key environmental, social and governance risks and its risk mitigation controls faced by the Group, as well as approved the 2020 Environmental, Social and Governments Report of the Group (the "**2020 ESG Report**"). The 2020 ESG Report was officially released on 20 July 2021.

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

In 2020, the Company was granted A+grade by the Hang Seng Corporate Sustainability Index ratings, and was selected as a constituent stock of DJSI (Dow Jones Sustainability Index) Emerging Markets in recognition of the Group's outstanding performance in sustainability.

XI. Outlook

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

In 2021, negative impacts from ASF and COVID-19 on us are retreating but global inflation has imposed new challenges to us. Therefore, apart from safeguarding our people and animals from pandemic, we will continue optimise our integrated value chain to combat volatility in commodity prices; to increase our degree of intelligence, automation and information-based production to improve efficiency and cost effectiveness; to introduce geographical and protein diversifications to accelerate growth; to adjust our product portfolios to maximise the added values; as well as to promote innovations in marketing to expand sales. We believe that our efforts will offer consumers quality products, maintain our leading position in the industry and create long-term value for Shareholders, employees and the community.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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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 21 to 53, which comprises the condensed consolidated statement of financial position of WH Group Limited (the "Company") and its subsidiaries as at 30 June 2021 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 this 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 2021 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
12 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
		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	13,331	–	13,331	12,481	–	12,481
Cost of sales		(11,093)	133	(10,960)	(10,212)	166	(10,046)
Gross profit		2,238	133	2,371	2,269	166	2,435
Distribution and selling expenses		(974)	–	(974)	(953)	–	(953)
Administrative expenses		(393)	–	(393)	(405)	–	(405)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		–	76	76	–	(144)	(144)
Loss arising from changes in fair value less costs to sell of biological assets		–	(67)	(67)	–	(324)	(324)
Other income		63	–	63	40	–	40
Other gains and (losses)		120	–	120	(33)	–	(33)
Other expenses		(171)	–	(171)	(6)	–	(6)
Finance costs		(68)	–	(68)	(68)	–	(68)
Share of profits of associates		4	–	4	3	–	3
Share of profits (losses) of joint ventures		9	7	16	1	(4)	(3)
PROFIT BEFORE TAX	4	828	149	977	848	(306)	542
Taxation	5	(169)	(38)	(207)	(173)	74	(99)
PROFIT FOR THE PERIOD		659	111	770	675	(232)	443
Other comprehensive income (expense) for the period:							
Items that will not be reclassified subsequently to profit or loss:							
– remeasurement on defined benefit pension plans				103			–
Net other comprehensive income (expense) that will not be reclassified subsequently to profit or loss				103			–

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

For the six months ended 30 June 2021

	Note	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
		Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)	Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				(22)			(120)
– fair value changes in cash flow hedge, net of tax				24			149
Net other comprehensive income that may be reclassified subsequently to profit or loss				2			29
Other comprehensive income for the period, net of tax				105			29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				875			472
Profit for the period attributable to:							
– owners of the Company				652			317
– non-controlling interests				118			126
				770			443
Total comprehensive income for the period attributable to:							
– owners of the Company				753			360
– non-controlling interests				122			112
				875			472
EARNINGS PER SHARE							
– Basic	7			US4.42 cents			US2.15 cents
– Diluted	7			US4.41 cents			US2.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	5,550	5,531
Right-of-use assets		701	684
Biological assets	9	141	135
Goodwill		2,004	2,008
Intangible assets		1,758	1,762
Interests in associates		47	47
Interests in joint ventures		325	307
Other receivables		62	57
Financial assets at fair value through profit or loss		12	10
Pledged bank deposits		8	11
Deferred tax assets		67	61
Other non-current assets		360	268
Total non-current assets		11,035	10,881
CURRENT ASSETS			
Properties under development	8	152	130
Biological assets	9	1,176	1,047
Inventories	10	3,180	2,641
Trade and bills receivables	11	1,147	915
Prepayments, other receivables and other assets		682	512
Taxation recoverable		59	57
Financial assets at fair value through profit or loss		532	882
Pledged/restricted bank deposits		38	51
Cash and bank balances		1,704	1,599
Total current assets		8,670	7,834
CURRENT LIABILITIES			
Trade and bills payables	12	929	913
Accrued expenses and other payables	13	2,673	2,136
Lease liabilities		103	103
Taxation payable		57	73
Borrowings	14	1,250	796
Bank overdrafts	14	–	46
Total current liabilities		5,012	4,067

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021

	Notes	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
NET CURRENT ASSETS		3,658	3,767
TOTAL ASSETS LESS CURRENT LIABILITIES		14,693	14,648
NON-CURRENT LIABILITIES			
Other payables	13	302	291
Lease liabilities		376	373
Borrowings	14	1,602	1,840
Deferred tax liabilities		652	553
Deferred revenue		44	44
Pension liability and other retirement benefits	15	361	562
Total non-current liabilities		3,337	3,663
NET ASSETS		11,356	10,985
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		10,522	10,004
Equity attributable to owners of the Company		10,523	10,005
Non-controlling interests		833	980
TOTAL EQUITY		11,356	10,985

The interim financial information on pages 21 to 53 were approved and authorised for issue by the Board of Directors on 12 August 2021 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 2021

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million	Other reserve US$'million (Note (b))	Statutory surplus reserve US$'million (Note (c))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At 1 January 2021 (Audited)	1	3,011	791	25	(249)	269	6,157	10,005	980	10,985
Profit for the period	–	–	–	–	–	–	652	652	118	770
Exchange differences arising on translation of foreign operations	–	–	–	(26)	–	–	–	(26)	4	(22)
Remeasurement on defined benefit pension plans	–	–	–	–	103	–	–	103	–	103
Fair value changes in cash flow hedge	–	–	–	–	24	–	–	24	–	24
Total comprehensive income for the period	–	–	–	(26)	127	–	652	753	122	875
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(269)	(269)
Dividend	–	–	–	–	–	–	(237)	(237)	–	(237)
Issue of shares upon exercise of share options	–*	3	–	–	(1)	–	–	2	–	2
Lapse of share options	–	–	–	–	(–*)	–	–*	–	–	–
	–*	3	–	–	(1)	–	(237)	(235)	(269)	(504)
At 30 June 2021 (Unaudited)	1	3,014	791	(1)	(123)	269	6,572	10,523	833	11,356
At 1 January 2020 (Audited)	1	2,982	(94)	(222)	(187)	268	5,936	8,684	768	9,452
Profit for the period	–	–	–	–	–	–	317	317	126	443
Exchange differences arising on translation of foreign operations	–	–	–	(106)	–	–	–	(106)	(14)	(120)
Fair value changes in cash flow hedge	–	–	–	–	149	–	–	149	–	149
Total comprehensive income for the period	–	–	–	(106)	149	–	317	360	112	472
Acquisition of additional interests in subsidiaries	–	–	(1)	–	–	–	–	(1)	(2)	(3)
Deemed disposal of subsidiaries	–	–	(8)	–	–	–	–	(8)	12	4
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(127)	(127)
Issue of shares upon exercise of share options	–*	11	–	–	(4)	–	–	7	–	7
Lapse of share options	–	–	–	–	(–*)	–	–*	–	–	–
	–*	11	(9)	–	(4)	–	–*	(2)	(117)	(119)
At 30 June 2020 (Unaudited)	1	2,993	(103)	(328)	(42)	268	6,253	9,042	763	9,805

* Less than US$1 million.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021

Notes:

(a) Capital reserve

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

(b) Other reserve

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

(c) Statutory surplus reserve

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**272**	1,219
INVESTING ACTIVITIES		
Interest received	**9**	3
Purchases of property, plant and equipment	**(319)**	(226)
Additions of right-of-use assets	**(3)**	(8)
Proceeds from disposal of property, plant and equipment	**7**	1
Dividends received from associates	**3**	—
Net cash outflow on acquisition of subsidiaries	**(53)**	—
Acquisition of equity interests in an associate	**—**	(—*)
Purchase of financial assets at fair value through profit or loss and debt investments at amortised cost	**(738)**	(495)
Proceeds from disposal of financial assets at fair value through profit or loss and debt investments at amortised cost	**1,079**	562
Placement of pledged/restricted bank deposits	**(38)**	(33)
Withdrawal of pledged/restricted bank deposits	**53**	28
Insurance claims on property, plant and equipment	**2**	7
Construction of assets to be sold	**—**	(2)
Loan settlement from a joint venture	**—**	18
Proceeds from sales and leaseback of assets	**—**	8
Proceeds from deemed disposal of a subsidiary	**—**	4
Purchases of other assets	**—**	(4)
Net cash flows from (used in) investing activities	**2**	(137)
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	**(278)**	(142)
Proceeds from borrowings, net of transaction costs	**1,952**	2,091
Repayment of borrowings	**(1,742)**	(2,070)
Net cash outflow on acquisition of additional interests in subsidiaries	**—**	(3)
Proceeds from issue of shares	**3**	7
Lease payments	**(61)**	(59)
Net cash flows used in financing activities	**(126)**	(176)
Net increase in cash and cash equivalents	**148**	906
Cash and cash equivalents at beginning of period	**1,553**	552
Effect of foreign exchange rate changes	**3**	(9)
Cash and cash equivalents at end of period	**1,704**	1,449
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,704**	1,463
Bank overdrafts	**—**	(14)
	1,704	1,449

* Less than US$1 million.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. Corporate Information and Basis of Preparation

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

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

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

The interim financial information for the six months ended 30 June 2021 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 2020.

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 2020, 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 2020, except for the adoption of the following revised IFRSs for the first time for the current period's interim financial information.

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

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

3. Segment Information

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, who are also the chief operating decision-makers, that are used to make strategic decisions. During the year ended 31 December 2020, the Group realigned its reportable operating segments to be consistent with the Group's strategic initiatives and its vertically integrated operations. Accordingly, the Group's financial results for the period ended 30 June 2021 are reported in the reportable segments in alignment with the Group's annual consolidated financial statements for the year ended 31 December 2020, which are also the operating segments and are classified based on their locations including China, U.S. and Europe and the nature of operations as (i) packaged meats, (ii) pork, and (iii) others. The Group's financial results for the period ended 30 June 2020 are also regrouped to conform with the new segment presentation.

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 gains and losses, finance costs and share of profits of associates and joint ventures. This is the measure reported to the chief operating decision-makers for the purposes of resources allocation and assessment of segment performance.

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

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

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 2021			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	2,099	3,284	655	6,038
Less: Inter-segment revenue	–	(413)	(176)	(589)
Revenue	2,099	2,871	479	5,449
Reportable segment profit	408	68	48	524
United States				
Gross segment revenue	3,873	4,877	40	8,790
Less: Inter-segment revenue	(1)	(2,182)	–	(2,183)
Revenue	3,872	2,695	40	6,607
Reportable segment profit (loss)	358	(17)	(24)	317
Europe				
Gross segment revenue	515	816	254	1,585
Less: Inter-segment revenue	(22)	(243)	(45)	(310)
Revenue	493	573	209	1,275
Reportable segment profit	50	26	3	79
Total				
Gross segment revenue	6,487	8,977	949	16,413
Less: Inter-segment revenue	(23)	(2,838)	(221)	(3,082)
Revenue#	6,464	6,139	728	13,331
Reportable segment profit	816	77	27	920
Net unallocated expenses				(37)
Biological fair value adjustments				149
Finance costs				(68)
Share of profits of associates				4
Share of profits of joint ventures				9
Profit before tax				977

3. Segment Information (Continued)

	For the six months ended 30 June 2020			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	1,971	3,425	476	5,872
Less: Inter-segment revenue	—	(518)	(138)	(656)
Revenue	1,971	2,907	338	5,216
Reportable segment profit	417	100	33	550
United States				
Gross segment revenue	3,408	4,212	1	7,621
Less: Inter-segment revenue	(1)	(1,500)	—	(1,501)
Revenue	3,407	2,712	1	6,120
Reportable segment profit (loss)	243	96	(63)	276
Europe				
Gross segment revenue	480	755	209	1,444
Less: Inter-segment revenue	(22)	(238)	(39)	(299)
Revenue	458	517	170	1,145
Reportable segment profit (loss)	34	70	(5)	99
Total				
Gross segment revenue	5,859	8,392	686	14,937
Less: Inter-segment revenue	(23)	(2,256)	(177)	(2,456)
Revenue#	5,836	6,136	509	12,481
Reportable segment profit (loss)	694	266	(35)	925
Net unallocated expenses				(13)
Biological fair value adjustments				(306)
Finance costs				(68)
Share of profits of associates				3
Share of profits of joint ventures				1
Profit before tax				542

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 2021

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	
	2021	2020
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**265**	243
Depreciation of right-of-use assets	**61**	73
Amortisation of intangible assets included in administrative expenses	**5**	4
Write-down of inventories included in cost of sales	**88**	128
Impairment loss recognised in respect of property, plant and equipment	**1**	22
Impairment loss recognised in respect of right-of-use assets	**—**	1
Impairment loss recognised in respect of intangible assets	**—**	2
(Reversal of) impairment losses on trade receivables	**(5)**	11
Lease payments not included in the measurement of lease liabilities	**59**	42
Research and development expenses	**74**	65
Staff costs (excluding directors' remuneration)	**1,926**	1,921
Legal contingencies	**173**	—
Gain upon modification of defined benefit plans	**(105)**	—
Gain on disposal of property, plant and equipment, net	**(1)**	(1)
Fair value gain on financial assets at fair value through profit or loss	**(17)**	(10)

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

5. Taxation

	Six months ended 30 June	
	2021	2020
	US$'million	US$'million
	(Unaudited)	(Unaudited)
China Enterprise Income Tax	**98**	108
U.S. income tax	**30**	44
Other income taxes	**17**	21
Withholding tax	**32**	24
Deferred taxation	**30**	(98)
	207	99

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

6. Dividends

At the Company's annual general meeting held on 1 June 2021, the shareholders of the Company approved the payment of a final dividend of HK$0.125 per share (year ended 31 December 2019: HK$0.265 per share) of the Company for the year ended 31 December 2020, as recommended by the Board, which was paid in cash to the shareholders of the Company on 7 July 2021, whose names appeared on the register of members of the Company on 7 June 2021.

The Board declared an interim dividend of HK$0.05 per share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2021. The dividend is to be paid in cash to the shareholders of the Company on or about 30 September 2021.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

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	
	2021	2020
	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	**652**	317

	Six months ended 30 June	
	2021	2020
	million shares	million shares
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,745.66**	14,727.65
Effect of dilutive potential ordinary shares: share options	**39.62**	77.69
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,785.28**	14,805.34

8. Movements in Property, Plant and Equipment and Properties under Development

During the six months ended 30 June 2021, the Group incurred US$245 million (six months ended 30 June 2020: US$200 million) on the additions of items of property, plant and equipment.

During the six months ended 30 June 2021, the Group incurred US$25 million (six months ended 30 June 2020: US$23 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 2021 Head million (Unaudited)	31 December 2020 Head million (Audited)
Live hogs		
— suckling	**2**	2
— nursery	**2**	2
— finishing	**8**	8
	12	12
Breeding stock (hogs)	**1**	1
	13	13
Broilers	**10**	9
Breeding stock (poultry)	**1**	—*
	11	9

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

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

* Less than 1 million head.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

9. Biological Assets (Continued)

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Current	1,176	1,047
Non-current	141	135
	1,317	1,182

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 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Raw materials	866	1,018
Work in progress	131	103
Finished goods	2,183	1,520
	3,180	2,641

11. Trade and Bills Receivables

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Trade receivables	1,159	931
Impairment	(21)	(24)
	1,138	907
Bills receivable	9	8
	1,147	915

The general credit term allowed by the Group to its customers is within 30 days in China operations while the credit terms vary depending on the sales 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 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Current to 30 days	1,030	802
31 to 90 days	115	112
91 to 180 days	2	1
Over 180 days	—	—
	1,147	915

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

12. Trade and Bills Payables

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

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

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Within 30 days	911	891
31 to 90 days	9	19
91 to 180 days	2	1
181 to 365 days	7	2
	929	913

13. Accrued Expenses and Other Payables

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Accrued staff costs	**607**	732
Deposits received	**84**	90
Sales rebates payables	**257**	261
Payables in respect of acquisition of property, plant and equipment	**57**	77
Accrued insurance	**156**	155
Interest payable	**26**	27
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	11
Growers payables	**43**	45
Pension liability	**23**	23
Derivative financial instruments	**6**	16
Accrued professional expenses	**14**	24
Accrued rent and utilities	**37**	32
Dividend payables	**242**	14
Contract liabilities	**713**	520
Other accrued expenses	**409**	302
Other payables	**291**	98
	2,975	2,427
Analysed for reporting purposes as:		
Current liabilities	**2,673**	2,136
Non-current liabilities	**302**	291
	2,975	2,427

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

14. Borrowings

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Senior unsecured notes:		
2.650% senior unsecured notes due October 2021	**291**	310
3.350% senior unsecured notes due February 2022	**296**	307
4.250% senior unsecured notes due February 2027	**596**	596
5.200% senior unsecured notes due April 2029	**396**	395
3.000% senior unsecured notes due October 2030	**490**	490
	2,069	2,098
Bank loans (Note i):		
Secured	**5**	11
Unsecured	**775**	524
Loans from third parties (Note ii):		
Secured	**2**	1
Unsecured	**1**	2
Total borrowings other than bank overdrafts	**2,852**	2,636
Bank overdrafts (Note iii)	**–**	46
The borrowings other than bank overdrafts are repayable as follows (Note iv):		
Within one year	**1,250**	796
One to two years	**60**	326
Two to five years	**57**	31
After five years	**1,485**	1,483
	2,852	2,636
Less: Amounts due within one year shown under current liabilities	**(1,250)**	(796)
Amounts due after one year	**1,602**	1,840

14. Borrowings (Continued)

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Total borrowings other than bank overdrafts:		
At fixed rates	**2,688**	2,599
At floating rates	**164**	37
	2,852	2,636

Notes:

i. Fixed rate bank loans carry interest at fixed rates ranging from 1.80% to 5.80% per annum (31 December 2020: from 1.80% to 5.80%) and floating rates ranging from WIBOR + 0.50% to ROBOR + 1.00% per annum at 30 June 2021 (31 December 2020: WIBOR + 0.58% to ROBOR + 1.00%).

ii. Loans from third parties carry interest at fixed rate of 0.90% per annum at 30 June 2021 (31 December 2020: 0.90% per annum).

iii. Bank overdrafts at 31 December 2020 carried interest at floating rates at 2.80% per annum.

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

Certain borrowings as at 30 June 2021 are secured by the Group's pledged bank deposits of US$3 million (31 December 2020: US$3 million).

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group 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 2021 and the year ended 31 December 2020.

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of the Group, has a securitisation facility that will mature in November 2021. As part of the arrangement, certain trade receivables are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the condensed consolidated statement of financial position of the Group. However, trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield if Smithfield were to become insolvent. As at 30 June 2021, the SPV held US$733 million (31 December 2020: US$567 million) of trade receivables and had outstanding borrowings of US$70 million (31 December 2020: US$107 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at 30 June 2021 and 31 December 2020.

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, pension benefits provided 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 Group amended the qualified pension plans to freeze the benefit accrual for all non-union participants which constitute a curtailment to the defined benefit plans during the six months ended 30 June 2021. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 April 2021 by Mercer (US), Inc. The gain upon modification of defined benefit pension plans of US$105 million was recognised in other gains and (losses).

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

15. Pension Liability and Other Retirement Benefits (Continued)

Defined Contribution Plans

The Group's qualifying employees in Hong Kong participate in 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 subsidiaries in China are members of the state-managed retirement benefits scheme operated by the Chinese 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 the 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$51 million during the six months ended 30 June 2021 (six months ended 30 June 2020: US$32 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

16. Business Combinations

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

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

As at the date of approval for issuance of the interim financial information, the fair value assessments of identifiable assets and liabilities arisen from the acquisition above have not been finalised and thus, the assets and liabilities recognised at the date of acquisition (see below) have been determined provisionally. Upon finalisation of the valuation, any goodwill arising on acquisition may change accordingly. The directors of the Company expect the valuation will be finalised within one year from completion.

The fair values of the identifiable assets and liabilities of Mecom Group as at the date of acquisition (determined on a provisional basis) were as follows:

	Fair value recognised on acquisition US$'million
Property, plant and equipment	52
Intangible assets	1
Inventories	15
Trade and bills receivables	13
Prepayments, other receivables and other assets	—*
Cash and bank balances	1
Trade payables	(14)
Accrued expenses and other payables	(13)
Other liabilities	(1)
Total identifiable net assets at fair value	54
Goodwill	—
Satisfied by cash	54

* Less than US$1 million.

16. Business Combinations (Continued)

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

The Group incurred transaction costs of less than US$1 million for the acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

	US$'million
Cash consideration	(54)
Cash and bank balances acquired	1
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(53)
Transaction costs paid during the period included in cash flows from operating activities	—*
	(53)

Since the completion of acquisition, Mecom Group contributed US$6 million to the Group's revenue and less than US$1 million to the consolidated profit before tax for the six months ended 30 June 2021.

Had the acquisition of Mecom Group taken place at the beginning of the year, the revenue and the consolidated profit before tax of the Group would have been US$13,396 million and US$980 million, respectively.

17. Commitments

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

	30 June 2021 US$'million (Unaudited)	31 December 2020 US$'million (Audited)
Contracted but not provided for, in respect of:		
Capital contribution to a joint venture	**165**	165
Acquisition of property, plant and equipment	**614**	305

* Less than US$1 million.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

18. 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.

Anti-trust Litigations

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 anti-trust violations in the pork industry (the "Anti-trust Litigations"). 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 anti-trust laws of the United States and the two groups of indirect purchasers seek treble damages, attorneys' fees, and costs under various state anti-trust and consumer-protection statutes of the United States.

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

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

In addition to the putative class actions filed in 2018, Smithfield has been named as a defendant in similar anti-trust lawsuits brought by a number of individual purchasers and not on behalf of a class. The plaintiffs in the two non-class cases assert the same anti-trust claims as the plaintiffs in the putative class actions and filed amended complaints. The Attorney General for the State of New Mexico has filed a similar complaint on behalf of the state, its agencies and its citizens.

18. Regulations and Contingencies (Continued)

Anti-trust Litigations (Continued)

Under an agreement dated 29 June 2021, Smithfield has agreed to settle all direct-purchasers class claims for a single payment of US$83 million. The terms of the settlement are subject to approval from federal court in Minnesota following notice to all class members.

The Group intends to continue to vigorously defend against the remaining class claims on the Anti-trust Litigations.

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in the Group's annual financial statements for the year ended 31 December 2020. The Group established a provision for the estimated expenses to defend against these and similar potential claims, which was subsequently re-evaluated.

Expenses and other liabilities associated with these claims will not 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.

19. 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 2021 was assessed to be insignificant.

19. Fair Value Measurement of Financial Instruments (Continued)

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).

	At 30 June 2021			
	Level 1 US$'million (Unaudited)	Level 2 US$'million (Unaudited)	Level 3 US$'million (Unaudited)	Total US$'million (Unaudited)
Financial assets at fair value through profit or loss	–	12	532	544
Derivative financial assets	120	26	16	162
Other non-current assets	57	132	19	208
Financial assets included in prepayments, other receivables and other assets	–	21	–	21
	177	191	567	935
Derivative financial liabilities	74	6	–	80

19. Fair Value Measurement of Financial Instruments (Continued)

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

	At 31 December 2020			
	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	–	10	882	892
Derivative financial assets	96	8	2	106
Other non-current assets	47	84	30	161
Financial assets included in prepayments, other receivables and other assets	–	20	–	20
	143	122	914	1,179
Derivative financial liabilities	29	2	10	41

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 1.5% to 4.3% (31 December 2020: 1.5% to 4.1%).

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (Level 1); using income approach based on discounted cash flow analysis on the expected interest rates (Level 2); or using income approach based on discounted cash flow analysis on the unobservable input (Level 3), as appropriate.

Other non-current assets includes 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 were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2021.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

19. Fair Value Measurement of Financial Instruments (Continued)

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

Sensitivity analysis

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

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

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$'million	Derivative financial assets (liabilities) US$'million	Other non-current assets US$'million
At 1 January 2020	447	(5)	26
Total gains recognised in profit or loss included in other gains and (losses)	29	8	4
Purchases	2,049	—	—
Disposals	(1,695)	(11)	—
Currency realignment	52	—	—
At 31 December 2020 and 1 January 2021	882	(8)	30
Total gains (losses) recognised in profit or loss included in other gains and (losses)	17	30	(11)
Purchases	652	—	—
Disposals	(1,022)	(6)	—
Currency realignment	3	—	—
At 30 June 2021	532	16	19

19. Fair Value Measurement of Financial Instruments (Continued)

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

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

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

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

As at 30 June 2021

				Related amounts not set off in the condensed consolidated statement of financial position		
	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$'million (Unaudited)	Financial collateral US$'million (Unaudited)	Cash collateral received US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	120	(53)	67	–	36	103

				Related amounts not set off in the condensed consolidated statement of financial position		
	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$'million (Unaudited)	Financial collateral US$'million (Unaudited)	Cash collateral pledged US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	74	(53)	21	(21)	–	–

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2021

19. 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 2020

	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	96	(10)	86	(45)	—	41

	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	26	(10)	16	(16)	—	—

20. 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	
	2021	2020
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Sales of goods to associates	**4**	3
Sales of goods to joint ventures	**8**	7
Purchase of goods/services from associates	**97**	69
Purchase of goods from joint ventures	**11**	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	
	2021	2020
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Director fees	**—***	—*
Basic salaries and allowances	**5**	5
Performance bonuses	**8**	14
Retirement benefits scheme contributions	**—***	—*
Total compensation paid to key management personnel	**13**	19

* Less than US$1 million.

OTHER INFORMATION

The Board has recommended the payment of an interim dividend of HK$0.05 per Share (2020: HK$0.05 per Share) for the six months ended 30 June 2021 (the "**2021 Interim Dividend**"), representing a total payment of approximately HK$737 million (equivalent to approximately US$95 million) (2020: approximately HK$737 million, equivalent to approximately US$95 million) to the Shareholders. The 2021 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Thursday, 26 August 2021 on or about Thursday, 30 September 2021. The register of members of the Company was closed from Friday, 27 August 2021 to Tuesday, 31 August 2021, both days inclusive, during which period no transfer of Shares would be registered. To ensure their entitlement to the 2021 Interim Dividend, Shareholders were 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 Thursday, 26 August 2021 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

As at 30 June 2021, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Interest in a controlled corporation(1)	2,169,781,518(L)	14.71%
	Beneficiary of a trust(2)(3)	1,123,683,441(L)	7.62%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Trustee(4)	631,580,000(L)	4.28%
	Beneficiary of a trust(4)(5)	174,314,729(L)	1.18%
	Beneficial owner	100,000(L)	0.00%
Mr. Ma Xiangjie	Trustee(6)(7)	5,029,376,978(L)	34.10%
	Beneficiary of a trust(6)(7)	79,992,007(L)	0.54%
	Interest of spouse(8)	3,000(L)	0.00%

Notes:

(1) Mr. Wan Long owned Sure Pass as to 100%, which in turn owned 573,099,645 Shares, and indirectly owned High Zenith as to 100%, which in turn owned 350,877,333 Shares. Accordingly, Mr. Wan Long was deemed to be interested in the 573,099,645 Shares and 350,877,333 Shares held by Sure Pass and High Zenith, respectively. Mr. Wan Long owned Xing Tong Limited as to 100%. Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 24.77% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone.

(2) Mr. Wan Long was one of the participants of the Heroic Zone Share Plan, through which he held approximately 20.78% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 1,045,174,040 Shares which Heroic Zone was interested in.

(3) Mr. Wan Long was one of the participants of the Chang Yun Share Plan, through which he held approximately 12.43% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Wan Long was deemed to be interested in 78,509,401 Shares which Chang Yun was interested in.

(4) Mr. Guo Lijun was one of the participants of the Chang Yun Share Plan, through which he held approximately 14.12% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Guo Lijun was deemed to be interested in the 89,149,824 Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao were entrusted to act as the trustees of the Chang Yun Share Plan.

(5) Mr. Guo Lijun was one of the participants of the Heroic Zone Share Plan, through which he held approximately 1.69% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun was deemed to be interested in the 85,164,905 Shares which Heroic Zone was interested in.

(6) Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee, on behalf of all participants of the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy. Mr. Ma Xiangjie was also one of the participants of the Heroic Zone Share Plan, through which he held approximately 0.34% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Ma Xiangjie was deemed to be interested in 17,277,468 Shares which Heroic Zone was interested in.

(7) Mr. Ma Xiangjie was one of the participants of the Chang Yun Share Plan, through which he held approximately 9.93% of the beneficial interest in Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Mr. Ma Xiangjie was deemed to be interested in 62,714,539 Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao, were entrusted to act as the trustees of the Chang Yun Share Plan.

(8) Ms. Shi Hui Ying 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)]	0.99%
Mr. Guo Lijun	Beneficial owner	40,000,000[(L)]	0.27%
Mr. Dennis Pat Rick Organ	Beneficial owner	1,000,000[(L)]	0.01%
Mr. Ma Xiangjie	Beneficial owner	9,922,417[(L)]	0.07%

Notes:

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

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

(iii) Interests in associated corporations

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

Notes:

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

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

Save as disclosed above, as at 30 June 2021, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer 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 2021, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Rise Grand(1)	Interest in controlled corporation	5,029,376,978(L)	34.10%
Mr. Zhang Liwen(1)	Trustee	5,029,376,978(L)	34.10%
Mr. Liu Songtao(1)	Trustee	5,029,376,978(L)	34.10%
Heroic Zone(2)	Beneficial owner	3,473,820,000(L)	23.56%
	Interest in controlled corporation	1,555,556,978(L)	10.55%
Xing Tong Limited(3)	Beneficiary of a trust	1,245,804,540(L)	8.45%
Ms. Wang Meixiang(4)	Interest of spouse	3,441,163,848(L)	23.33%
Mondrian Investment Partners Limited	Investment manager	995,261,500(L)	6.75%

Notes:

(1) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,029,376,978 Shares which Heroic Zone was interested in. As of 30 June 2021, the beneficial interest of Rise Grand was owned by 218 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee (the "**ESC**"), on behalf of all HSP Participants, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy (the "**HSP Trustees**"). Under the Heroic Zone Share Plan, the ESC, on behalf of all HSP Participants, is entitled to instruct the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand, which in turn will instruct Heroic Zone, a wholly owned subsidiary of Rise Grand, as to how to exercise its rights, including the voting rights attached to the Shares it holds in the Company. The members of the ESC are selected by the general meeting of the HSP participants. The ESC has been composed of five members since its establishment.

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

(3) Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 24.77% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong Limited was deemed to be interested in the 1,245,804,540 Shares which Heroic Zone was interested in.

(4) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 3,441,163,848 Shares which Mr. Wan Long was interested in.

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

Save as disclosed above, as at 30 June 2021, 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, 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 2021**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2021**
Directors						
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)(6)	10 July 2014	2,500,000	–	–	–	2,500,000
MA Xiangjie (馬相傑)	10 July 2014	9,922,417	–	–	–	9,922,417
Charles Shane SMITH(7)	10 July 2014	1,000,000	–	–	–	1,000,000
ORGAN Dennis Pat Rick(8)	10 July 2014	1,000,000	–	–	–	1,000,000
Connected persons						
SULLIVAN Kenneth Marc	10 July 2014	12,000,000	–	–	–	12,000,000
ZHANG Taixi (張太喜)	10 July 2014	40,000,000	–	–	–	40,000,000
HE Jianmin (賀建民)	10 July 2014	2,859,963	–	–	–	2,859,963
LIU Hongsheng (劉紅生)	10 July 2014	2,409,963	–	–	–	2,409,963
YU Songtao (余松濤)	10 July 2014	3,009,963	–	–	–	3,009,963
PAN Guanghui (潘廣輝)	10 July 2014	2,425,963	–	–	–	2,425,963
ZHAO Sufang (趙朔方)	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

Grantee	Date of Grant	Number of Pre-IPO Share Options As at 1 January 2021	Exercised	Cancelled	Lapsed	As at 30 June 2021
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
Senior management and other employees (in aggregate)	10 July 2014	73,524,402	1,942,410	–	98,500	71,483,492
Total		**437,732,547**	**1,942,410**	**–**	**98,500**	**435,691,637**

Notes:

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

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

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

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

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

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

(6) Mr. Wan Hongwei has been appointed as an executive Director with effect from 12 August 2021.

(7) Mr. Charles Shane Smith has been appointed as an executive Director with effect from 11 August 2021.

(8) Mr. Dennis Pat Rick Organ, a former executive Director, resigned as an executive Director with effect from 15 July 2021.

Purchase, Sale or Redemption of the Company's Listed Securities

On 8 September 2021, 1,916,937,202 Shares were bought-back by the Company pursuant to the Share Buy-back Offer and such Shares were cancelled. For details of the Share Buy-back Offer, please refer to the announcements of the Company dated 6 June 2021, 16 August 2021, 30 August 2021 and 8 September 2021, the offer document of the Company dated 30 July 2021 and the subsection headed "Share Buy-back Offer" on page 12 of this report.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the 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 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, except for the following deviation:

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

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

During the Review Period, the Board approved the transactions in relation to the Share Buy-back Offer on 2 June 2021 by way of passing written resolutions. As each of Mr. Wan Long, Mr. Guo Lijun, Mr. Ma Xiangjie and Mr. Wan Hongjian (a former Director) was a member of the Controlling Shareholders and their respective parties acting in concert with them, and was considered to have material interests in the transactions in respect of the Share Buy-back Offer. Therefore, the transactions in respect of the Share Buy-back Offer should be dealt with by a physical board meeting.

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

The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the code provision A.1.7 of the CG Code.

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

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Review Period, Mr. Wan Long held both positions.

The Company considered that having Mr. Wan Long acting as both the chairman and chief executive officer of the Company had provided a strong and consistent leadership to the Company and allow for more effective planning and management of the Company. Further, in view of Mr. Wan Long's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board considered it is beneficial to the business prospects of the Group that Mr. Wan Long acted as both the chairman and chief executive officer of the Company during the Review Period.

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

Update on Information of Directors pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the information of Directors since the date of the 2020 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Wan Long resigned as the chief executive officer of the Company with effect from 12 August 2021.

(ii) Mr. Guo Lijun has been appointed to succeed Mr. Wan Long as the chief executive officer of the Company, resigned as the chief financial officer of the Company and ceased to act as the executive vice president of the Company, with effect from 12 August 2021. For the biographical details of Mr. Guo, please refer to the announcement of the Company dated 12 August 2021 in relation to, among other things, the change of chief executive officer and appointment of executive Director and deputy chairman (the "**Appointments Announcement**"). Moreover, Mr. Guo has been appointed as a director of Shuanghui Development with effect from 31 August 2021.

(iii) Mr. Wan Hongwei has been appointed as an executive Director, the deputy chairman of the Board, a member of the ESG Committee and the Food Safety Committee of the Company, with effect from 12 August 2021. For the biographical details of Mr. Wan, please refer to the Appointments Announcement.

(iv) Mr. Charles Shane Smith has been appointed as an executive Director, a member of the ESG Committee, the Food Safety Committee and the Risk Management Committee of the Company, with effect from 11 August 2021. For the biographical details of Mr. Smith, please refer to the announcement of the Company dated 11 August 2021 in relation to the appointment of executive Director and member of board committees.

(v) Mr. Jiao Shuge has been appointed as the chairman and non-executive director of OCI International Holdings Limited (a company listed on the Stock Exchange with stock code: 329) since 8 March 2021. Mr. Jiao ceased to be an independent non-executive director of China Southern Airlines Company Limited (a company listed on the Stock Exchange with stock code 1055) with effect from 30 April 2021. Moreover, Mr. Jiao ceased to be a director of Shuanghui Development with effect from 31 August 2021.

(vi) Mr. Wan Hongjian was removed as an executive Director pursuant to Article 16.18(f) of the Articles of Association and a vice president of the Group and thus ceased to be the deputy chairman of the Board, a member of the ESG Committee and the Food Safety Committee and he also ceased to hold any other positions of the Group, with effect from 17 June 2021.

(vii) Mr. Dennis Pat Rick Organ resigned as an executive Director and ceased to be a member of the ESG Committee, the Food Safety Committee and the Risk Management Committee, with effect from 15 July 2021.

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

Audit Committee

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

On behalf of the Board
Wan Long
Chairman of the Board

Hong Kong, 12 August 2021

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 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
"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 2020 to 30 June 2020
"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
"ESG Committee"	the environmental, social and governance committee of the Board
"EUR"	the Euro, the lawful currency of the member states of the European Union

Glossary (Continued)

"Fitch"	Fitch (Hong Kong) Limited or Fitch Ratings, Inc.
"Food Safety Committee"	the food safety committee of the Board
"GCM"	Granjas Carroll de Mexico S. de R.L. de C.V., a Mexican hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in GCM as a joint venture as of 30 June 2021
"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 employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on 6 September 2013 and one of the Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDR"	long-term foreign-currency issuer default rating
"kg"	kilogram
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	5 August 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MOA"	the Ministry of Agriculture of Rural Affairs of the Republic of China

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Moody's"	Moody's Investor Service Limited
"Norson"	Norson Holding, S. de R.L. de C.V., a Mexican meat products manufacturer and hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in Norson as a joint venture as of 30 June 2021
"PLN"	Polish Zloty, the lawful currency of the Republic of Poland
"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
"Review Period"	the period from 1 January 2021 to 30 June 2021
"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
"RON"	Romanian Leu, the lawful currency of Romania
"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, 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
"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