萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 288

GLOBAL OFFERING

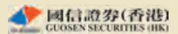
Joint Sponsors

DBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

Joint Bookrunners and Joint Lead Managers



IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**3,654,980,000 Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Public Offering Shares	:	**182,749,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offering Shares	:	**3,472,231,000 Shares (subject to reallocation, Offer Size Adjustment Option and the Over-allotment Option) of which 2,741,231,000 are new Shares offered for sale by us and 731,000,000 are Sale Shares offered for sale by the Selling Shareholders**
Maximum Offer Price	:	**HK$11.25 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.0001 per Share**
Stock code	:	**288**

Joint Sponsors

BOC INTERNATIONAL Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We are incorporated in the Cayman Islands and a substantial portion of our business is located in China. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, China and Hong Kong, and that there are different risk factors relating to the investment in the Company. Potential investors should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulatory Overview".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transaction in accordance with Regulation S.

The Offer Price is expected to be determined by agreement between the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, April 22, 2014 and, in any event, not later than Monday, April 28, 2014. The Offer Price will be no more than HK$11.25 per Offer Share and is currently expected to be no less than HK$8.00 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, April 28, 2014, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors."

The Underwriters' Representatives (for themselves and on behalf of the Underwriters), with our consent (for ourselves and on behalf of the Selling Shareholders), may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.wh-group.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offering Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please see the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination."

April 15, 2014

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Tuesday, April 22, 2014

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Tuesday, April 22, 2014

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Tuesday, April 22, 2014

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Tuesday, April 22, 2014

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Tuesday, April 22, 2014

Application lists of the Hong Kong Public Offering close . . . . 12:00 noon on Tuesday, April 22, 2014

Expected Price Determination Date[5] . . . . Tuesday, April 22, 2014

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the indication of level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Public Offering Shares

expected to be published in *South China Morning Post* (in English) and *Hong Kong Economic Times* (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.wh-group.com** on or before . . . . Tuesday, April 29, 2014

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.wh-group.com** (see the section headed "How to Apply for the Hong Kong Public Offering Shares — 11. Publication of Results") from	Tuesday, April 29, 2014
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[6] and the Company's website at **www.wh-group.com**[7] from	Tuesday, April 29, 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID" function from	Tuesday, April 29, 2014
Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[8]	Tuesday, April 29, 2014
Dispatch of White Form e-Refund payment instructions/refund cheques on or before[9]	Tuesday, April 29, 2014
Dealings in Shares on the Stock Exchange expected to commence on	Wednesday, April 30, 2014

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 22, 2014, the application lists will not open on that day. Please see the section headed "How to Apply for the Hong Kong Public Offering Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Public Offering Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS — Effect of Giving Electronic Application Instructions to HKSCC via CCASS".

(5) The Price Determination Date is expected to be on or around Tuesday, April 22, 2014 and, in any event, not later than Monday, April 28, 2014 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) by Monday, April 28, 2014, the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the Stock Exchange's website at **www.hkexnews.hk**.

(7) None of the website or any of the information contained on the website forms part of this prospectus.

(8) **Share certificates are expected to be issued on Tuesday, April 29, 2014, but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**

(9) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offering Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offering Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives, or any other party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production. We have number one market shares in China, the U.S. and key markets in Europe. We own Asia's largest animal protein company, Shuanghui Development, the U.S.'s largest pork company, Smithfield, and a 37% equity stake in the largest packaged meat company in Europe by sales, Campofrio. Pork consumption in markets where we have the leading position collectively accounted for over 60% of world's total pork consumption in 2012. We are committed to providing consumers with high-quality, nutritious and tasty products through our portfolio of trusted and well-known brands and to driving consumption trends, while setting the highest industry standards in product quality and food safety.

Our unique, vertically integrated, global platform distinguishes us from our competitors. We are the undisputed leading pork company in China, which alone accounted for over half of global pork consumption in 2012 and is expected to represent over 80% of global pork consumption growth over the next five years, according to Frost & Sullivan. Smithfield, our wholly owned subsidiary, is the industry leader in U.S. pork production and is the world's largest pork exporter, with compelling cost advantages. We are in a unique position to efficiently match supply with demand on a global basis and to benefit from the strong industry trends in China and the world's other fast-growing animal protein markets.

We also have the world's largest distribution network in the pork industry supported by our leading market share in pork products. In each of our key markets, our sales and distribution networks are among the largest in the industry, with an advanced logistics network.

OUR PRODUCTS

We currently operate our business through three main segments, namely our packaged meat products segment, fresh pork segment and hog production segment. Summary descriptions of our main business segments are set forth below.

- Packaged Meat Products. We are the global leader in the packaged meat products market. For the years ended December 31, 2011, 2012 and 2013, turnover generated from our packaged meat products segment in China amounted to approximately US$3,129 million, US$3,639 million and US$4,074 million, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's packaged meat products segment in the U.S. amounted to approximately US$5,716.7 million, US$6,000.3 million, US$6,150.4 million and US$4,510.4 million, respectively. For the Smithfield 2011, 2012, and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's international packaged meat products segment amounted to approximately US$593.3 million, US$644.1 million, US$683.2 million and US$450.6 million, respectively.
- Fresh Pork. Our fresh pork segment includes our hog slaughtering operations and our sales of fresh pork products. We have number one position in both hog slaughtering and sales of fresh pork. For the years ended December 31, 2011, 2012 and 2013, turnover generated from our fresh pork segment in China amounted to approximately US$2,095 million, US$2,419 million and US$3,010 million, respectively. For the Smithfield 2011, 2012 and

2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's fresh pork segment in the U.S. amounted to approximately US$4,516.7 million, US$5,055.6 million, US$4,884.3 million and US$3,556.6 million, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's fresh pork segment in Smithfield's international operations amounted to approximately US$705.9 million, US$777.6 million, US$735.6 million and US$589.3 million, respectively.

- Hog Production. We are the world's largest hog producer. The majority of the hogs we produce are supplied to our fresh pork and packaged meat products segments. For the years ended December 31, 2011, 2012 and 2013, turnover generated from our hog production segment in China amounted to approximately US$14 million, US$13 million and US$16 million, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's hog production segment in the U.S. amounted to approximately US$592.1 million, US$608.0 million, US$755.0 million and US$461.2 million, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's international hog production segment amounted to approximately US$3.3 million, US$8.7 million, US$12.6 million and US$5.6 million, respectively.

In addition to our three main segments, we also engage in certain other businesses that are ancillary to our primary business segments. In China, these mainly include manufacturing and sales of packaging materials, provision of logistics services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceuticals materials. For the years ended December 31, 2011, 2012 and 2013, turnover generated from our other businesses in China amounted to approximately US$217 million, US$172 million and US$307 million, respectively.

Although we manage our businesses as a globally integrated company, based on our historical development our operations can be viewed as comprising three parts: (i) Shuanghui Development, our A Share-listed subsidiary that conducts most of our business in China; (ii) our unlisted ancillary businesses in China, primarily consisting of our logistics business; and (iii) our U.S. and international operations, which are conducted through Smithfield, acquired by us in September 2013. Our net profit/(loss) attributable to the unlisted ancillary businesses in China was US$(28.5) million, US$3.5 million and US$14.9 million, for the years ended December 31, 2011, 2012 and 2013, respectively, based on the Group's organization structure and our effective equity interest in the unlisted ancillary businesses in China as of December 31, 2013.

Packaged Meat Products

We are the leader for packaged meat and packaged pork products in China. For the nine months ended September 30, 2013, our 18.7% market share in China's packaged pork market exceeded the market share of our ten closest competitors combined, according to Frost & Sullivan. We have an extensive sales and distribution network covering all major sales channels in China. We are also the largest packaged pork company by a significant margin in the U.S. and the largest packaged pork supplier to the two largest U.S. sales channels: retailers and food service companies. We have a portfolio of leading brands across numerous packaged pork categories in the U.S., including ham, sausage and bacon. We are also the largest U.S. exporter of packaged pork products according to Frost & Sullivan.

The table below sets forth the sales volume of our packaged meat products in China and the sales volume of Smithfield's packaged meat products in the U.S. and internationally for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	Sales Volume		Sales Volume		Sales Volume	
	(million metric tons, except percentages)					
China Packaged Meat Products	1.4	50.0%	1.6	51.6%	1.7	53.1%
Smithfield's U.S. Packaged Meat Products[(1)]	1.2	42.9%	1.3	41.9%	1.3	40.6%
Smithfield's International Packaged Meat Products[(1)]	0.2	7.1%	0.2	6.5%	0.2	6.3%
Total	2.8	100.0%	3.1	100.0%	3.2	100.0%

(1) We acquired Smithfield by way of merger on September 26, 2013.

Fresh Pork

Our fresh pork segment includes our hog slaughtering operations and our sales of fresh pork products. We have number one position in both hog slaughtering and sales of fresh pork. We are the largest producer of fresh pork products in the world in terms of volume with 3.1% market share in the nine months ended September 30, 2013, which was significantly larger than that of our competitors according to Frost & Sullivan. Our fresh pork products consist of chilled and frozen meats.

The table below sets forth the number of hogs processed and our fresh pork production and sales volumes in China and those for Smithfield in the U.S. and internationally for the periods indicated.

	Year ended December 31,								
	2011			2012			2013		
	Hogs Processed	Production Volume	External Sales Volume	Hogs Processed	Production Volume	External Sales Volume	Hogs Processed	Production Volume	External Sales Volume
	(million head)	(million metric tons)	(million metric tons)	(million head)	(million metric tons)	(million metric tons)	(million head)	(million metric tons)	(million metric tons)
China Fresh Pork	10.0	1.0	0.7	11.4	1.2	0.9	13.3	1.3	1.0
Smithfield's U.S. Fresh Pork[(1)]	27.5	2.7	1.7	28.3	2.8	1.7	28.7	2.9	1.7
Smithfield's International Fresh Pork[(1)]	2.9	0.3	0.2	3.3	0.3	0.2	3.7	0.3	0.3
Total	40.4	4.0	2.6	43.0	4.3	2.8	45.7	4.5	3.0

(1) We acquired Smithfield by way of merger on September 26, 2013. Smithfield's pre-merger external sales volumes for fresh pork products contained sales to the Group.

Hog Production

We are the world's largest hog producer. Smithfield produced approximately 16.0 million hogs in the U.S. in the Smithfield 2013 Fiscal Year. In the nine months ended September 30, 2013, Smithfield produced nearly twice the number of hogs produced by the next largest U.S. competitor and more than the number of hogs produced by our next two largest U.S. competitors combined, according to Frost & Sullivan. Smithfield produced an aggregate of approximately 2.5 million hogs in Poland and Romania in 2013 and we produced approximately 317,700 hogs in China. The table below sets forth the total number of hogs produced by us in China and produced by Smithfield in the U.S. and internationally for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	(million head, except percentages)					
China Hog Production . . .	0.3	1.6%	0.3	1.6%	0.3	1.6%
Smithfield's U.S. Hog Production[1]	15.9	86.0%	15.7	85.4%	16.3	85.3%
Smithfield's International Hog Production[1]	2.3	12.4%	2.4	13.0%	2.5	13.1%
Total	18.5	100.0%	18.4	100.0%	19.1	100.0%

(1) We acquired Smithfield by way of merger on September 26, 2013.

OUR CUSTOMERS

Our customers for fresh pork and packaged meat products in China are primarily distributors. To the extent that certain points of sale, such as hypermarkets, supermarkets and food service companies, are not covered by our network of distributors, we may directly sell fresh pork products to these points of sales. We sell fresh pork and packaged meats to top retailers and food service companies in the U.S., and our products are used in top restaurant chains in the U.S. Top retailers to which we sell our products include all of the top 10 food retailers in the U.S., such as Walmart, Kroger and Costco, and the majority of the top 75 food retailers in the U.S. We sell our products to every one of the top 20 food service companies in the U.S. Through our sales to these food service companies, our products are used in nine of the ten largest restaurant chains in the U.S., including McDonald's, Subway, Burger King, Starbucks, Dunkin' Donuts, Wendy's and those of Yum! Brands.

SALES AND DISTRIBUTION NETWORK

Our sales and distribution network has world-wide coverage. We sell to customers nationwide in the countries in which we operate and also export products to numerous countries in Europe, North America, South America, Asia, Africa and Australia. In China, we use a combination of distributor relationships and direct sales to sell our products. We have established separate sales and distribution networks for our fresh pork and packaged meat products in China targeting the optimum sales channels for the respective product types. As of December 31, 2013, we had 161 sales branch offices across 27 provinces of China, staffed with approximately 1,300 sales personnel in total, overseeing the sales and distribution of our fresh pork products. For our packaged meat products, we had 163 sales branch offices across 31 provinces of China, staffed with approximately 1,900 sales personnel in total, overseeing the sales and distribution of our packaged meat products. We also have a high-density network of distributors and a variety of points of sales with extensive geographic coverage to efficiently distribute our products. As of December 31, 2013, we had more than 2,100 distributors and 638,000 points of sales for our packaged meat products, and more than 2,800 distributors and 24,300 points of sales for our fresh pork products in China. In our U.S. and international operations, we primarily sell our products to retailers, food service companies, other food processors and export markets.

RAW MATERIALS AND SUPPLIERS

Live hogs, meats and feed ingredients are the primary raw materials used in our operations. The large volume of raw materials we purchase for our operations provides us with significant bargaining power in procurement. Moreover, due to our global operations and centralized procurement, we are able to source our raw materials from various regions to benefit from cost advantages. In addition, we make our purchases of certain raw materials in order to take advantage of variations in price cycles in different markets. The raw materials that we use in our operations are available from numerous suppliers at competitive prices. In the U.S., we have entered into multi-year agreements with two of the top 15 U.S. hog producers pursuant to which they have agreed to provide us with a stable supply of high-quality hogs at market-indexed prices. Outside of these agreements, we did not have any material long term agreements with our suppliers as of the Latest Practicable Date.

Aggregate purchases from the Group's five largest suppliers for the years ended December 31, 2011, 2012 and 2013, amounted to approximately US$249.0 million, US$282.4 million and US$466.9 million, respectively, representing 5.5%, 5.8% and 5.9% of our total purchases for those periods, respectively. Aggregate purchases from the Group's single largest supplier amounted to US$80.2 million, US$80.8 million and US$110.0 million in those periods, respectively, representing approximately 1.8%, 1.7% and 1.4% of our total purchases for the same respective periods. For the Group's five largest suppliers during the years ended December 31, 2011, 2012 and 2013, we have maintained an average of more than one decade of business relationships.

OUR STRENGTHS

We believe that the following strengths are critical to our continuing success in China, the U.S. and parts of Europe:

- World's largest pork company across the industry value chain
- Unique, vertically integrated business on a global scale
- Extensive and efficient global sales and distribution network
- Well-known and trusted brands underpinned by comprehensive product offerings and strong innovation capabilities
- Strong food safety, premium product quality and commitment to sustainability
- Visionary, experienced and focused global management team, with interests aligned with Shareholders'

OUR STRATEGIES

Our principal business objective is to maintain and strengthen our position as the world's largest pork company. Key strategies for reaching our goals are as follows:

- Solidify our industry leading position by gaining additional market share
- Maximize synergies within our vertically integrated global platform
- Enhance our portfolio of brands, and increase our brand recognition and reputation
- Uphold our commitment to food safety and product quality
- Expand our sales and distribution network

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our consolidated statements of profit or loss and comprehensive income and those of Smithfield for the periods indicated, the details of which are set forth in Appendix IA and IB, and these should be read in conjunction with the financial statements in Appendix IA and IB, including the related notes.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

Our Results of Operations

	Year ended December 31,		
	2011	2012	2013
	(US$ million)		
Turnover	5,455	6,243	11,253
Cost of sales	(4,902)	(5,272)	(9,480)
Gross profit	**553**	**971**	**1,773**
Distribution and selling expenses	(198)	(224)	(539)
Administrative expenses	(158)	(188)	(335)
Gain arising from agricultural produce at fair value less cost to sell at the point of harvest	35	21	17
Gain arising from changes in fair value less cost to sell of biological assets	7	6	47
Other income	90	73	84
Other gains and losses	—+	5	19
Other expenses	(15)	(50)	(787)
Finance costs	(57)	(15)	(120)
Share of profits of associates	2	3	6
Share of losses of joint ventures	—	—	(3)
Profit before taxation	**259**	**602**	**162**
Taxation	(71)	(134)	(229)
Profit for the year	**188**	**468**	**(67)***
Other comprehensive income for the year			
- exchange differences arising on translation to presentation currency that will not be reclassified subsequently to profit or loss	89	4	52
- actuarial gain on defined benefit pension plans	—	—	18
- exchange differences arising on translation	—	—	91
- fair value change in cash flow hedge	—	—	(5)
Total comprehensive income for the year	**277**	**472**	**89**
Total comprehensive income for the year attributable to			
- Owners of the Company	192	328	(143)
- Non-controlling interests	85	144	232
	277	**472**	**89**

+ *Less than 1 million*

* We had a net loss for the year ended December 31, 2013 primarily as a result of our share-based payment expenses in the amount of US$639 million and legal and professional fees in the amount of US$132 million in connection with our acquisition of Smithfield.

Smithfield's Results of Operations

The table below includes, for the periods indicated, selected financial data derived from Smithfield's consolidated statement of income, the details of which are set forth in Appendix IB.

	Smithfield Fiscal Years			Six months ended	
	2011	2012	2013	October 28, 2012	October 27, 2013
	(US$ million)				
Sales	12,202.7	13,094.3	13,221.1	6,317.1	6,818.6
Cost of sales	(10,488.6)	(11,544.9)	(11,901.4)	(5,607.6)	(6,236.9)
Gross profit	1,714.1	1,549.4	1,319.7	709.5	581.7
Selling, general and administrative expenses	(789.8)	(816.9)	(815.4)	(406.8)	(405.1)
Merger-related costs	—	—	—	—	(38.7)
Gain on fire insurance recovery	120.6	—	—	—	—
Income (loss) from equity method investments	50.1	(9.9)	15.0	7.4	0.7
Operating profit	1,095.0	722.6	519.3	310.1	138.6
Interest expense	(245.4)	(176.7)	(168.7)	(84.0)	(95.7)
Loss on debt extinguishment	(92.5)	(12.2)	(120.7)	(120.7)	—
Income before income taxes	757.1	533.7	229.9	105.4	42.9
Income tax expense	(236.1)	(172.4)	(46.1)	(32.8)	(7.6)
Net income	521.0	361.3	183.8	72.6	35.3

Our Summary Consolidated Statements of Financial Position

	As of December 31,		
	2011	2012	2013
	(US$ million)		
Non-current assets	2,179	2,227	8,989
Current assets	1,703	1,270	5,167
Current liabilities	1,619	788	2,822
Net current assets	84	482	2,345
Total assets less current liabilities	2,263	2,709	11,334
Non-current liabilities	130	159	8,196
Net assets	**2,133**	**2,550**	**3,138**
Capital and reserves			
Share capital	1	1	1
Reserves	1,547	1,788	2,274
Equity attributable to owners of the Company	1,548	1,789	2,275
Non-controlling interests	585	761	863
Total equity	**2,133**	**2,550**	**3,138**

Smithfield's Summary Consolidated Statements of Financial Position

	Smithfield Fiscal Years		
	2011	2012	2013
	(US$ million)		
Non-current assets	4,273.9	4,123.2	4,164.6
Current assets	3,337.9	3,299.0	3,551.8
Current liabilities	1,227.9	1,136.3	1,746.2
Net current assets	2,110.0	2,162.7	1,805.6
Total assets less current liabilities	6,383.9	6,285.9	5,970.2
Non-current liabilities	2,835.3	2,895.9	2,859.8
Redeemable Non-controlling interests	2.0	2.0	12.7
Net assets	**3,546.6**	**3,388.0**	**3,097.7**
Total shareholders' equity	3,545.5	3,387.3	3,097.0
Non-controlling interests	1.1	0.7	0.7
Total equity	**3,546.6**	**3,388.0**	**3,097.7**

Our Summary Consolidated Statements of Cash Flows

	As of December 31,		
	2011	2012	2013
	(US$ million)		
Net cash generated from operating activities	251	673	700
Net cash (used in) from investing activities	(127)	214	(5,015)
Net cash (used in) from financing activities	(10)	(722)	4,411
Net increase in cash and cash equivalents	114	165	96
Effect of foreign exchange rate charges	22	2	29
Cash and cash equivalents at the beginning of year	371	507	674
Cash and cash equivalents at end of year	507	674	799

Smithfield's Summary Consolidated Statements of Cash Flows

	Smithfield Fiscal Years		
	2011	2012	2013
	(US$ million)		
Net cash flows from operating activities	616.4	570.1	172.7
Net cash flows from investing activities	254.3	(286.6)	(303.7)
Net cash flows from financing activities	(945.6)	(328.4)	115.7
Net change in cash and cash equivalents	(76.5)	(50.4)	(13.7)
Effect of foreign exchange rate changes on cash	(1.6)	(5.5)	1.6
Cash and cash equivalents at beginning of year	451.2	374.7	324.3
Cash and cash equivalents at end of year	374.7	324.3	310.6

KEY FINANCIAL RATIOS

The following table sets out our gross profit margins, net profit margins, return on equity, return on total assets, current ratios, and debt-to-equity ratios as of the dates indicated below:

	For the year ended December 31,		
	2011	2012	2013
Gross Profit Margin	10.1%	15.6%	15.8%
Net Profit Margin	2.4%	5.2%	(2.3)%
Return on Equity	8.9%	19.5%	(12.9)%
Return on Total Assets	5.1%	12.7%	(0.8)%
	As of December 31,		
	2011	2012	2013
Current Ratio	1.05	1.61	1.83
Debt-to-Equity Ratio	40.5%	7.6%	236.8%

Please see the section headed "Financial Information — General — Key Financial Ratios" for descriptions of the calculations of the above ratios.

RISK FACTORS

There are certain risks relating to an investment in our Shares. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to the pork industry; (iii) risks relating to the countries in which we operate; and (iv) risks relating to the Shares and the Global Offering. A detailed discussion of the risk factors is set forth in the section headed "Risk Factors". A summary of certain of these risk factors is set forth below. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations and prospects:

- We are significantly affected by fluctuations in the cost of hogs and feed ingredients, which are our main raw materials, and the selling prices of our products and competing protein products, all of which are determined by the constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control.
- We may be materially and adversely affected by negative publicity regarding our products, brands, operations, industry or products similar to ours. In particular, negative publicity regarding our brands may be particularly harmful as we rely on a limited number of brands to market and sell our products. Adverse publicity regarding any perceived or real health risks associated with our brands or products could cause consumers to lose confidence in the safety and quality of our food products and result in decreased demand for our products.
- If our raw materials or our products are found to be contaminated or reported to be associated with any contamination incidents, we may have to conduct product recalls and close production plants and our reputation may be adversely affected.
- We recently completed the acquisition of Smithfield, which was our first international acquisition. As the world's largest pork company on a stand-alone basis, Smithfield has substantial operations, and we may fail to properly manage or integrate Smithfield's operations with our operations or to otherwise realize the desired benefits of the merger.
- We may not be successful at innovating and launching new products or promoting our brands, which may materially and adversely affect our business, financial condition, results of operations and prospects.
- We are the largest U.S. exporter of pork products and have significant international operations. We face risks related to our exports and international operations, including potential failure to comply with relevant import requirements, regulatory and compliance costs, changes in general economic and political conditions and changes in international relations.

- We have significant biological assets, primarily consisting of live hogs, which are required to be measured at fair value less the estimated cost to sell those assets at each reporting date in accordance with IFRS. Fair values of biological assets are in part based on market prices, including the market prices of hogs, which are highly volatile. Accordingly, our results of operations may fluctuate significantly from period to period.
- From time to time, we have experienced outbreaks of certain livestock diseases and we may experience additional occurrences of disease in the future. Disease can reduce the number of offspring produced, hamper the growth of livestock to finished size, result in expensive vaccination programs and require in some cases the destruction of infected livestock, any of which could adversely affect our production or ability to sell or export our products. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of our food products.
- It may be difficult for investors to evaluate our business and its prospects due to the Group's limited operating history in its current state. In particular, the financial information of the Group presented in this prospectus contains combined information for the Group in its current state only for the period beginning as of our acquisition of Smithfield in September 2013.

You should read the entire section headed "Risk Factors" in this prospectus before you decide to invest in the Offer Shares.

RECENT DEVELOPMENTS

Joint Tender Offer Bid with Sigma

We are currently seeking authorization from the Spanish securities regulator for a joint tender offer bid with Sigma Alimentos S.A. de C.V. ("**Sigma**") for the shares of Campofrio. The authorization request was still pending as of the Latest Practicable Date. If the joint tender offer is completed, we will continue to hold an approximately 37% equity interest in Campofrio. Sigma owned an approximately 45% equity interest in Campofrio as of the Latest Practicable Date, and will finance the purchase of any Campofrio shares that are tendered. For further information, see the section headed "History, Development and Corporate Structure — Our History — Investment in Campofrio" on pages 158 and 159 of this prospectus.

Pre-IPO Share Option Scheme and Awards

We adopted the Pre-IPO Share Option Scheme. Summary details of the Pre-IPO Share Option Scheme are as follows: (i) Pre-IPO Share Options to subscribe for 584,795,555 Shares have been granted under the Pre-IPO Share Option Scheme, representing approximately 3.8% of the total issued Share capital of the Company upon completion of the Global Offering (assuming the Pre-IPO Share Options are exercised in full), representing all of the options allowed to be issued under the Pre-IPO Share Option Scheme; (ii) the Pre-IPO Share Option shall be exercisable at the Offer Price; (iii) the Pre-IPO Share Options are non-transferable and may not be pledged, mortgaged or otherwise encumbered; (iv) grantees under the Pre-IPO Share Option Scheme may exercise the Pre-IPO Share Options to subscribe for the Shares as follows: (a) one year after the Listing Date, up to 10%; (b) two years after the Listing Date, up to 25%; (c) three years after the Listing Date, up to 45%; (d) four years after the Listing Date, up to 70%; (e) five years after the Listing Date, all of the Pre-IPO Share Options are exercisable; and (v) the effectiveness of the Pre-IPO Share Option Scheme is subject to the commencement of the dealing of the Shares on the Stock Exchange. For additional details, please see section I in the Accountants' Report of the Group set out in Appendix IA to this prospectus and "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme".

We also adopted the 2010 Share Award Plan in November 2010 and the 2013 Share Award Plan in October 2013, under which we are authorized to award up to 631,580,000 Shares and 350,877,333 Shares, respectively, as incentives to our employees. We recognized a share-based payment expense of US$42 million and US$42 million for the years ended December 31, 2012 and 2013, respectively, in relation to the 2010 Share Award Plan. No Shares had been awarded under the 2013 Share Award Plan as of the Latest Practicable Date. Please see Note 39 to section E of the Accountants' Report of the Group set out in Appendix IA. In addition, we also alloted and issued in October 2013 an aggregate of 818,713,778 Shares, representing approximately 5.6% of the enlarged issued share capital of the Company upon completion of the Global Offering, to certain of our Directors as incentives. In relation to such share issuance to certain of our Directors, we recognized an aggregate expense of US$597

million in the year ended December 31, 2013. Please see Note 10 to section E of the Accountants' Report of the Group set out in Appendix IA to this prospectus. For further information, also see "History, Development and Corporate Structure — Our History — History of our PRC Business — Share Issuance and Transfer to Chang Yun" on pages 152-153 of this prospectus and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith" on pages 161-162 of this prospectus.

Subsequent to December 31, 2013, the date of the latest audited financial information appearing in this prospectus, and up to the Latest Practicable Date, there was no material adverse industry, market, operational (including sales performance) or regulatory development relating to our business or any other event that materially and adversely affected the Group's financial condition.

Our Merger with Smithfield

On September 26, 2013, we completed our acquisition of 100% of the equity interest in Smithfield. This transformational merger with Smithfield united within one company two high-caliber management teams with a shared global vision. For several years prior to the merger, members of our combined management team collaborated on various business transactions. Building on these existing core relationships, we plan to maximize synergies created by the Merger. In particular, we intend to increase exports of U.S. chilled and frozen pork and by-products to China and other markets by leveraging our globally integrated platform and our competitive cost structure in the U.S.; launch new packaged meat products in China by leveraging Smithfield's brand recognition for safe and premium products; increase the sharing of operational and financial best practices, technology and market knowledge across our global platform to further strengthen our competitiveness, improve food safety control mechanisms, enhance productivity and improve profitability; integrate back-office and management systems, such as establishing an integrated information management system that allows for a global approach to budgeting, information management and capital efficiency; and leverage long-standing customer relationships to create sales opportunities in new markets and distribution channels.

The total purchase consideration in connection with the Merger was approximately US$4.9 billion. The sources of funds used to finance the Merger and other transactions contemplated by the Merger Agreement primarily included (i) a drawdown of the Syndicated Term Loan (which has a total principal amount of US$4 billion); (ii) net proceeds from the issuance of the US$900 million aggregate principal amount of senior unsecured notes issued by Merger Sub on July 31, 2013, comprised of US$500 million aggregate principal amount of 5.250% senior notes due 2018 and US$400 million aggregate principal amount of 5.875% senior notes due 2021; (iii) drawings under certain existing facility agreement of Smithfield; and (iv) cash on hand at the Company.

The table below summarizes the primary sources and uses of funds in connection with the Merger and other transactions contemplated by the Merger Agreement.

Sources of funds (US$ million)		Uses of funds (US$ million)	
Net proceeds from Syndicated Term Loan	3,925		
Net proceeds from senior unsecured notes issued by Merger Sub	900	Total purchase consideration	4,903
Cash on hand at the Company	319	Repayment of term loan from Bank of America*	200
Drawings under existing facility agreement of Smithfield	160	Fees, expenses and other transaction costs	201
Total sources of funds	5,304	Total uses of funds	5,304

* For more details about the term loan from Bank of America, please see Note 7 to the audited consolidated financial statements of Smithfield for the Smithfield Fiscal Year 2013 set out in Appendix IB to this prospectus.

For more information regarding the acquisition, please see the section headed "History, Development and Corporate Structure — Our History — Our Acquisition of Smithfield by Way of Merger — Merger with Smithfield." For financial information regarding Smithfield, please see the section headed "Financial Information — Smithfield."

Regulatory Disclosure Obligations of Shuanghui Development

Shuanghui Development, one of the Group's subsidiaries, is listed on the Shenzhen Stock Exchange in China. It is required to publish, among other things, quarterly interim financial reports containing unaudited financial information prepared in accordance with Accounting Standards for Business Enterprises ("PRC GAAP") issued by the Ministry of Finance of the PRC, in compliance with applicable PRC securities regulatory requirements. Shuanghui Development currently expects to release its quarterly interim financial report regarding the first quarter of 2014 before the end of April 2014. Our Directors currently expect that both turnover and gross profit of Shuanghui Development in the first quarter of 2014 will trend upward from those in the same period of the previous year, primarily reflecting higher sales volumes of packaged meat products and fresh pork in China. The actual results of Shuanghui Development may differ materially from current expectations. There is no assurance that the business, financial condition, results of operation and prospects of Shuanghui Development will continue to grow for the remainder of 2014 or beyond, or the business, financial condition, results of operation and prospects of the Group will grow during the same periods. Shuanghui Development will publish its quarterly interim financial reports on the website of the Shenzhen Stock Exchange.

Pursuant to the disclosure obligations under the applicable PRC laws and regulations, including but not limited to the listing rules of the Shenzhen Stock Exchange, Shuanghui Development is required to make a public announcement, in a timely manner, in the event of any incident which may potentially have a material impact on its share price. Shuanghui Development's disclosure of material information is also required to be made to all investors in order to ensure fair dissemination of information, in compliance with the principle of fairness under the applicable PRC laws and regulations. Therefore, with respect of the publication of this prospectus, Shuanghui Development is required to make a corresponding public announcement in the PRC. In respect of any information publicly disclosed by Shuanghui Development, the Company will make appropriate public announcement in Hong Kong when necessary in accordance with the relevant requirements under the Listing Rules, including but not limited to Rule 13.10B of the Listing Rules.

SHAREHOLDER INFORMATION

Immediately upon the completion of the Global Offering, Heroic Zone will directly hold 3,181,820,000 Shares, representing approximately 21.76% of the issued share capital of the Company (without taking into account any Shares to be issued pursuant to any exercise of the Pre-IPO Share Options). Heroic Zone is a wholly owned subsidiary of Rise Grand, which in turn is beneficially owned by the participants in our Heroic Zone Share Plan. In addition, Heroic Zone has the power to control Chang Yun, High Zenith, Sure Pass and Rich Matrix's exercise of their respective voting rights attached to the Shares they respectively hold. Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix will be together entitled to directly and indirectly exercise or control the exercise of approximately 34.08% of the voting power at the general meetings of the Company immediately following the completion of the Global Offering (without taking into account the Shares to be issued pursuant to the exercise of the Pre-IPO Share Options).

DIVIDEND POLICY

The declaration, payment and amount of dividends we pay are subject to the discretion of our Directors and depend on our financial condition, earnings and capital requirements as well as contractual and legal restrictions and our ability to receive dividend payments from our subsidiaries in addition to other factors. Subject to the factors described above, our Directors expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of no less than 30% of profits attributable to the equity holders of the parent (i.e., net profit). Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Company's Shareholders by any means our Directors deem legal, fair and practical.

THE GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 182,749,000 Shares, or Hong Kong Public Offering Shares, for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and

- the offering of initially 3,472,231,000 Shares, or International Offering Shares, of which 2,741,231,000 are new shares offered for sale by us and 731,000,000 are Sale Shares to be offered for sale by the Selling Shareholders, outside the United States (including to professional, institutional and other investors within Hong Kong and pursuant to a public offer without listing in Japan) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act, referred to in this prospectus as the International Offering.

The number of Hong Kong Public Offering Shares and International Offering Shares, or together, Offer Shares, is subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering”.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering and the Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to our revenue for the year ended December 31, 2013, which is over HK$500 million, and our expected market capitalisation at the time of Listing, which is far beyond HK$4 billion.

THE SELLING SHAREHOLDERS

The Global Offering initially consists of 3,654,980,000 Shares, of which 731,000,000 Shares are being sold by the Selling Shareholders under the International Offering. Pursuant to the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, the Underwriters’ Representatives, on behalf of the Underwriters, may require the Option Selling Shareholders to sell up to 730,996,000 additional Sale Shares to the Underwriters, equivalent to 20% of the Offer Shares initially available under the Global Offering. Additionally, the Underwriters’ Representatives may require the Over-allotment Selling Shareholders to sell up to 548,247,000 additional Sale Shares, equivalent to 15% of the Offer Shares initially available under the Global Offering, pursuant to the Over-allotment Option under the International Underwriting Agreement. The aggregate maximum additional Shares which may be offered under the Offer Size Adjustment Option and the Over-allotment Option is 1,279,243,000 Sale Shares, equivalent to 35% of the Offer Shares initially available under the Global Offering.

The shareholding of the Selling Shareholders immediately following the completion of the Global Offering is set forth in the table below.

Name of Selling Shareholder	Total number of Shares to be sold by Selling Shareholders assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	Percentage ownership of the Selling Shareholders following completion of the Global Offering assuming no exercise of the Offer Size Adjustment Option or the Over-allotment Option	Total number of Shares to be sold by the Selling Shareholders assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	Percentage ownership of the Selling Shareholders following completion of the Global Offering assuming full exercise of the Offer Size Adjustment Option but no exercise of the Over-allotment Option	Total number of Shares to be sold by the Selling Shareholders assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	Percentage ownership of the Selling Shareholders following completion of the Global Offering assuming full exercise of the Over-allotment Option but no exercise of the Offer Size Adjustment Option	Total number of Shares to be sold by the Selling Shareholders assuming both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	Percentage ownership of the Selling Shareholders following completion of the Global Offering assuming both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full
Goldman Sachs	49,207,956	2.754%	98,415,642	2.418%	49,207,956	2.754%	98,415,642	2.418%
Mountain King Investments Limited	19,661,516	1.101%	39,322,924	0.966%	19,661,516	1.101%	39,322,924	0.966%
Ample Colour Limited	93,567,289	—	93,567,289	—	93,567,289	—	93,567,289	—
CDH Shine	178,603,376	10.717%	393,897,743	9.245%	393,597,001	9.247%	608,891,368	7.774%
CDH Shine II Limited	99,104,817	5.947%	218,569,013	5.130%	218,402,135	5.131%	337,866,331	4.314%
CDH Shine III Limited	51,161,682	3.070%	112,833,651	2.648%	112,747,502	2.649%	174,419,471	2.227%
CDH Shine IV Limited	34,174,498	2.051%	75,369,559	1.769%	75,312,014	1.769%	116,507,075	1.488%
CDH Shine V Limited	28,381,613	1.703%	62,593,739	1.469%	62,545,949	1.469%	96,758,075	1.235%
CDH V Sunshine I Limited	26,401,500	1.584%	58,226,734	1.367%	58,182,277	1.367%	90,007,511	1.149%
CDH V Sunshine II Limited	37,622,138	2.258%	82,973,096	1.947%	82,909,746	1.948%	128,260,704	1.638%
Focus Chevalier Investment Co. Ltd.	2,771,856	0.155%	5,543,697	0.136%	2,771,856	0.155%	5,543,697	0.136%
Blue Air Holdings Limited	27,718,562	1.551%	55,436,972	1.362%	27,718,562	1.551%	55,436,972	1.362%
Cardilli Limited	42,431,283	2.375%	84,862,333	2.085%	42,431,283	2.375%	84,862,333	2.085%
Dunearn Investments (Mauritius) Pte Ltd.	40,191,914	1.715%	80,383,608	1.440%	40,191,914	1.715%	80,383,608	1.440%

We will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders.

Global Offering Statistics[1]

	Based on Offer Price of HK$8.00	Based on Offer Price of HK$11.25
Market capitalization of our Shares[2]	HK$116,959 million	HK$164,474 million
Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share[3]	HK$0.93	HK$1.55

Notes:

(1) All statistics in this table are on the assumption that the Pre-IPO Share Options are not exercised.

(2) The calculation of market capitalization is based on 14,619,891,111 Shares expected to be in issue immediately after completion of the Global Offering.

(3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated after making the adjustments referred to in "Financial Information — General — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" and on the 14,619,891,111 Shares expected to be in issue immediately after completion of the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately US$3,553 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming an Offer Price of HK$9.63 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. If the Offer Price is HK$11.25 per Offer Share, being the high-end of the Offer Price range stated in this prospectus, the aforementioned net proceeds will be approximately US$4,154 million. If the Offer Price is HK$8.00 per Offer Share, being the low-end of the Offer Price range stated in this prospectus, the aforementioned net proceeds will be approximately US$2,948 million. We intend to use the net proceeds for the following purposes:

- up to approximately US$4.0 billion to repay the three year tranche maturing on August 30, 2016 of the Syndicated Term Loan which has an interest rate of LIBOR plus 3.5% and the five year tranche maturing on August 30, 2018 which has an interest rate of LIBOR plus 4.5%; and
- the remaining proceeds for working capital and other general corporate purposes.

Except the funds to be retained for working capital and other general corporate purposes, we currently intend to apply the net proceeds to the above purposes as soon as practicable following the completion of the Global Offering. Assuming we repay the Syndicated Term Loan in full, we estimate that the expected early repayments will reduce our interest expense by approximately US$155.1 million on an annualized basis. To the extent our net proceeds are not sufficient to repay the Syndicated Term Loan in full, we intend to repay the remaining balance with funds from a variety of sources, including cash generated from operations and bank financing.

We estimate the net proceeds to the Selling Shareholders of the sale of their Sale Shares (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised), the Option Selling Shareholders of the sale of their Sale Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Selling Shareholders of the sale of their Sale Shares pursuant to the exercise of the Over-allotment Option to be approximately US$894 million, US$894 million and US$670 million, respectively (assuming an Offer Price of HK$9.63 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) payable by the Selling Shareholders, Option Selling Shareholders and Over-allotment Selling Shareholders.

As the Offer Size Adjustment Option is granted by the Option Selling Shareholders and the Over-allotment Option is granted by the Over-allotment Selling Shareholders, and in neither case by the Company, the Company will not receive any proceeds from any exercise of the Offer Size Adjustment Option or the Over-allotment Option.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately US$82.9 million (based on the mid-point of our indicative Offer Price range), of which approximately US$60.4 million is expected to be capitalized after the Listing. The remaining approximately US$22.5 million fees and expenses is expected to be charged to our profit and loss accounts.

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

"2010 Share Award Plan"	the share award plan adopted by the Company on November 26, 2010, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed Chang Yun to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "History, Development and Corporate Structure"
"2013 Share Award Plan"	the share award plan adopted by the Company on October 23, 2013, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed High Zenith to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "History, Development and Corporate Structure"
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on April 4, 2014 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Board"	the board of Directors
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Campofrio"	Campofrio Food Group, S.A., a European packaged meat company organized under the laws of Spain, the shares of which are listed on the Bolsa de Madrid Exchange. We held approximately 37% of the common stock of Campofrio as of the Latest Practicable Date
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant,which may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCIG"	China Certification & Inspection Group (中國檢驗認證集團)
"CDH Shine"	CDH Shine Limited, a limited liability company incorporated under the laws of the BVI on February 27, 2006 and wholly owned by China Shine Group Limited (a limited liability company incorporated under the laws of the Cayman Islands)
"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 April 12, 2010 and one of the Controlling Shareholders
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Commerce & Finance"	Commerce & Finance Law Offices
"Companies Act of England"	Companies Act of England and Wales, 2006 (Chapter 46) dated November 8, 2006 and as amended, supplemented or otherwise modified from time to time

"Companies Law"	the Companies Law (2013 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Company" or "our Company"	WH Group Limited (萬洲國際有限公司) (formerly known as Shine C Holding Limited, Shuanghui International Holdings Limited and Wanzhou Holdings Group Limited), a limited liability company incorporated under the laws of the Cayman Islands on March 2, 2006
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(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, Sure Pass and Rich Matrix and "Controlling Shareholder" means any one of them
"Cost Savings Initiative"	Smithfield's plan to improve the cost structure and profitability of its U.S. domestic hog production operations
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
"Deed of Non-competition"	the deed of non-compete undertakings dated April 7, 2014 entered into by Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix in favour of the Company, as described more particularly in the section headed "Relationship with Controlling Shareholders"
"Deloitte Hong Kong"	Deloitte Touche Tohmatsu
"Director(s)"	the director(s) of the Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"Euro" or "€" or "EUR"	the lawful currency of the member states of the European Union

"Farmland Foods, Inc."	a corporation incorporated in Delaware, the United States on July 7, 2003 and an indirect wholly owned subsidiary of the Company
"FASB"	Financial Accounting Standards Board
"FDA"	Food and Drug Administration, an agency of the Department of Health and Human Services
"Federal Reserve Board"	the Federal Reserve Board of Governors, the main governing body of the Federal Reserve System of the U.S.
"Frost & Sullivan"	an independent market research and consulting company which prepared the Industry Report
"GDP"	Gross Domestic Product
"General Rules of CCASS"	General Rules of CCASS published by the Hong Kong Stock Exchange and as amended from time to time
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Glorious Link"	Glorious Link International Corporation, a limited liability company incorporated under the laws of the BVI on March 20, 2006 and a direct wholly owned subsidiary of the Company
"Goldman Sachs"	Goldman Sachs Strategic Investments (Asia) L.L.C., a limited liability company incorporated in Delaware on December 8, 2005, which is a shareholder of the Company and is wholly owned by Goldman Sachs Group, Inc., the shares of which are listed on the New York Stock Exchange
"Grand Court"	the Grand Court of the Cayman Islands
"**GREEN** application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"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
"HACCP"	Hazard Analysis and Critical Control Points as issued by the USDA, a systematized approach to pathogen reduction and prevention

"HACCP System rule"	requires that all meat and poultry processing plants in the U.S. operate under the HACCP system, as compliant with the U.S. Public Health Security and Bioterrorism Preparedness and Response Act of 2002
"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 July 23, 2007 and one of our Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated December 25, 2009 and revised on December 17, 2012, 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. The principal terms of the plan are summarized in the section headed "History, Development and Corporate Structure"
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on September 6, 2013 and one of our Controlling Shareholders
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Public Offering Shares to the public in Hong Kong (subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in section headed "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Public Offering Shares"	the 182,749,000 Offer Shares (subject to reallocation as described in the section headed "Structure of the Global Offering" of this prospectus) initially being offered by us for subscription pursuant to the Hong Kong Public Offering, subject to adjustment, reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering"

"Hong Kong Share Registrar" or "White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting — Underwriters — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated April 15, 2014 relating to the Hong Kong Public Offering and entered into by, among others, the Company, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"Industry Report"	the report, written by Frost & Sullivan and commissioned by the Company, on the global pork market, including general economic conditions in China and the U.S. and brand awareness in a number of key pork markets as referred to in the section headed "Industry Overview"
"International Offering"	the conditional placing by the International Underwriters of the International Offering Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong and pursuant to a public offer without listing in Japan) in offshore transactions in reliance on Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act
"International Offering Shares"	the 3,472,231,000 Shares being initially offered for subscription under the International Offering together, of which 2,741,231,000 are new Shares offered for sale by us and 731,000,000 are Sale Shares to be offered for sale by the Selling Shareholders, where relevant, with any additional Sale Shares that may be sold by the Option Selling Shareholders and/or the Over-allotment Selling Shareholders, respectively, pursuant to any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, and subject to adjustment as described in the section headed "Structure of the Global Offering"
"International Underwriting Agreement"	the conditional placing agreement relating to the International Offering and to be entered into on or about the Price Determination Date by, among others, the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters

"International Underwriters"	the underwriters of the International Offering listed in the International Underwriting Agreement
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Joint Bookrunners" or "Joint Lead Managers"	BOCI Asia Limited, Morgan Stanley Asia Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Standard Chartered Securities (Hong Kong) Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch, DBS Asia Capital Limited, Barclays Bank PLC, China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Merrill Lynch International (in the capacity as a Joint Bookrunner in relation to the Global Offering and in the capacity as a Joint Lead Manager only in relation to the International Offering), Merrill Lynch Far East Limited (in the capacity as a Joint Lead Manager only in relation to the Hong Kong Public Offering), ICBC International Capital Limited (in the capacity as a Joint Bookrunner in relation to the Global Offering), ICBC International Securities Limited (in the capacity as a Joint Lead Manager in relation to the Global Offering), Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities plc (in the capacity as a Joint Bookrunner in relation to the Global Offering and in the capacity as a Joint Lead Manager only in relation to the International Offering), J.P. Morgan Securities (Asia Pacific) Limited (in the capacity as a Joint Lead Manager only in relation to the Hong Kong Public Offering), Crédit Agricole Corporate and Investment Bank, Natixis (in the capacity as a Joint Bookrunner and a Joint Lead Manager only in relation to the International Offering), Jefferies Hong Kong Limited, Citigroup Global Markets Limited (in the capacity as a Joint Bookrunner in relation to the Global Offering and in the capacity as a Joint Lead Manager only in relation to the International Offering), Citigroup Global Markets Asia Limited (in the capacity as a Joint Lead Manager only in relation to the Hong Kong Public Offering), China Merchants Securities (HK) Co., Limited, CCB International Capital Limited, Daiwa Capital Markets Hong Kong Limited, Nomura International (Hong Kong) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, Guosen Securities (HK) Capital Co., Ltd., The Hongkong and Shanghai Banking Corporation Limited, ABCI Capital Limited (in the capacity as a Joint Bookrunner in relation to the Global Offering), ABCI Securities Company Limited (in the capacity as a Joint Lead Manager in relation to the Global Offering) and BOCOM International Securities Limited

"Joint Global Coordinators"	BOCI Asia Limited, Morgan Stanley Asia Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Standard Chartered Securities (Hong Kong) Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch, DBS Asia Capital Limited, Barclays Bank PLC, China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Merrill Lynch International, ICBC International Capital Limited, Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited
"Joint Sponsors"	BOCI Asia Limited, Morgan Stanley Asia Limited, Standard Chartered Securities (Hong Kong) Limited, CITIC Securities Corporate Finance (HK) Limited, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited and DBS Asia Capital Limited
"Latest Practicable Date"	April 7, 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about April 30, 2014, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, conditionally adopted on April 4, 2014 and will come into effect upon Listing (as amended from time to time)
"Merger"	the merger between Smithfield and Merger Sub
"Merger Agreement"	an agreement and plan of merger entered by and among the Company, Merger Sub and Smithfield on May 28, 2013
"Merger Sub"	Sun Merger Sub, Inc., a Virginia corporation which merged with and into Smithfield, with Smithfield surviving the Merger as an indirect wholly owned subsidiary of the Company
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Public Offering Shares are to be subscribed under the Hong Kong Public Offering, and at which the International Offering Shares are to be offered under the International Offering, to be determined as described in the section headed "Structure of the Global Offering — Pricing and Allocation"
"Offer Shares"	the Hong Kong Public Offering Shares and the International Offering Shares together, where relevant, with any additional Shares to be sold pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option
"Offer Size Adjustment Option"	the option granted by the Option Selling Shareholders to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and to be granted to the International Underwriters under the International Underwriting Agreement, exercisable by the Underwriters' Representatives on behalf of the Underwriters on or before the Price Determination Date, to require the Option Selling Shareholders to sell up to 730,996,000 additional Shares, at the Offer Price, representing up to 20% of the total number of Offer Shares initially available under the Global Offering, to cover additional market demand, as necessary, as described in the section headed "Structure of the Global Offering"
"Option Selling Shareholders"	Goldman Sachs, Mountain King Investments Limited, CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited, CDH V Sunshine II Limited, Focus Chevalier Investment Co., Ltd., Blue Air Holdings Limited, Cardilli Limited and Dunearn Investments (Mauritius) Pte Ltd
"Over-allotment Option"	the option to be granted by the Over-allotment Selling Shareholders to the International Underwriters exercisable by the Underwriters' Representatives on behalf of the International Underwriters under the International Underwriting Agreement, to require the Over-allotment Selling Shareholders to sell up to 548,247,000 additional Shares at the Offer Price, representing up to 15% of the total number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any
"Over-allotment Selling Shareholders"	CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited

"PBOC"	People's Bank of China (中國人民銀行)
"PLN" or "Polish zloty"	the lawful currency of Poland
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"Predecessor Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as in force from time to time before March 3, 2014
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on January 21, 2014 as amended on April 4, 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 "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme" of this prospectus
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Predecessor Period"	in connection with the Merger, the period from July 29, 2013 to September 26, 2013
"Price Determination Date"	on or about Tuesday, April 22, 2014 (Hong Kong time) at which time the Offer Price is determined, or such later time as the Company (for itself and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters) may agree, but in any event not later than Monday, April 28, 2014
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Rabobank"	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
"Regulation S"	Regulation S under the U.S. Securities Act
"Rich Matrix"	Rich Matrix Global Limited (裕基環球有限公司), a limited liability company incorporated under the laws of the BVI on September 9, 2013 and one of the Controlling Shareholders
"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 July 3, 2007, indirectly holding a 27.2% equity interest in the Company immediately prior to the Global Offering through Heroic Zone

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rotary Vortex"	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong on February 28, 2006 and an indirect wholly owned subsidiary of the Company
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 731,000,000 existing Shares initially offered for sale by the Selling Shareholders under the International Offering, together with, where relevant, any additional Shares to be sold by the Option Selling Shareholders pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Selling Shareholders pursuant to the exercise of the Over-alltoment Option
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SEC"	the U.S. Securities Exchange Commission
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Selling Shareholders"	Goldman Sachs, Mountain King Investments Limited, Ample Colour Limited, CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited, CDH V Sunshine II Limited, Focus Chevalier Investment Co., Ltd., Blue Air Holdings Limited, Cardilli Limited and Dunearn Investments (Mauritius) Pte Ltd
"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)
"Shine B"	Shine B Holding I Limited (In Liquidation), a limited liability company incorporated under the laws of BVI on March 20, 2006 and a former Shareholder of the Company
"Shuanghui Designated Stores"	stores authorized by us to use our "Shuanghui" brand, which are generally small in size and mainly sell our fresh pork products to consumers in local communities
"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 October 15, 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
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd. (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRC on August 29, 1994 and an indirect wholly owned subsidiary of the Company
"Shuanghui Logistics"	Luohe Shuanghui Logistics Investment Co., Ltd. (漯河雙匯物流投資有限公司), a limited liability company established under the laws of the PRC on May 23, 2003 and an indirect non-wholly owned subsidiary of the Company
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on July 25, 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
"Smithfield Fiscal Year"	the fiscal year consisting of 52 or 53 weeks which ends on the Sunday nearest April 30 of the given year
"Stabilizing Manager"	Morgan Stanley Asia Limited
"Stock Borrowing Agreement"	a stock borrowing agreement which will be entered into on or about the Price Determination Date between the Stabilizing Manager and CDH Shine
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules

"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Successor Period"	in connection with the Merger, the period from September 27, 2013 to October 27, 2013
"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 September 25, 2013 and one of the Controlling Shareholders
"Syndicated Term Loan"	the loan available under the US$4 billion term loan facilities agreement dated August 30, 2013 entered into by, among others, the Company and several financial institutions, for which Bank of China (Hong Kong) Limited acted as the facility agent
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
"Track Record Period"	the years ended December 31, 2011, 2012 and 2013
"UK"	the United Kingdom
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriters' Representatives"	BOCI Asia Limited, Morgan Stanley Asia Limited, Standard Chartered Securities (Hong Kong) Limited, CITIC Securities Corporate Finance (HK) Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch and DBS Asia Capital Limited
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USDA"	the United States Department of Agriculture
"U.S. Exchange Act"	the United States Securities Exchange Act of 1934, as amended or supplemented from time to time and the rules and regulations promulgated thereunder
"U.S. GAAP"	generally acceptable accounting principles in the U.S.
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"White Form eIPO"	the application for Hong Kong Public Offering Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"WIBOR"	Warsaw Interbank Offered Rate

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC marked with an asterisk (*) included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"boar"	an intact male pig used for breeding purposes
"blue ear disease"	also known as porcine reproductive and respiratory syndrome (PRRS), a communicable disease characterized by reproductive failure of sows and respiratory problems of piglets and growing pigs, caused by the PRRS virus
"carcass weight equivalent"	weight of meat products expressed in terms of the weight of a dressed carcass, including inedible parts such as bones
"chilled fresh pork"	raw pork that has undergone processing and which is stored at temperatures of approximately 0ºC to 4ºC
"clenbuterol hydrochloride"	a substance that acts on receptors of the nervous system and muscle tissue to promote lean growth
"cwt"	centum weight, or hundredweight, 100 U.S. pounds
"farrowing"	to give birth to a litter of suckling pigs
"finishing hogs"	hogs weighing around 240 lbs and which are typically slaughtered when they reach 180 days old
"fresh pork" or "fresh pork products"	consists of uncured pork in three main categories according to the storage temperature after slaughtering, namely warm fresh pork, chilled fresh pork and frozen pork
"frozen pork"	raw pork that has undergone processing and been frozen to -30ºC, and which is stored at temperatures of approximately -18ºC
"gestation stall"	metal enclosed crate that houses one sow
"group pen"	stall that houses multiple sows
"husbandry"	raising of live stock
"lean hogs"	hogs commonly raised in modern pork production systems
"lean protein"	protein with less than three grams of fat and around 50 calories per serving
"nursery"	farms where suckling pigs are raised for approximately 45-50 days, commencing approximately 25 days after birth, and after which they are transferred as feeder pigs to a finisher

"packaged meat products"	consist of processed and packaged meat products
"PEDV"	Porcine Epidemic Diarrhea Virus, a coronavirus that infects hogs and causes porcine epidemic diarrhoea, a condition of severe diarrhea and dehydration
"picnics"	uncured pork shoulder
"ractopamine"	a feed additive which promotes leanness in animals
"sows"	female hogs that are pregnant or have farrowed
"sow farms"	farms where sows are kept with suckling hogs for the first approximately 20 to 24 days after birth
"suckling pigs" or "suckling hogs"	nursing pigs prior to weaning
"variety meat" or "offal"	the entrails and internal organs of an animal used as food
"warm fresh pork"	raw pork that is sold directly to the markets without undergoing a cooling process after being slaughtered
"weaned pigs" or "nursery hogs"	young pigs when separated from their mothers, typically at three to four weeks of age and typically weighing between 5.4 kg and 9.1 kg

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our integration with Smithfield and our desired benefits from the acquisition of Smithfield;
- our ability to meet the changing tastes and preference of our customers;
- changes on the fair valuation of our biological assets;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the "Business", "Financial Information — General" and "Financial Information — Smithfield" sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below and the accountants' reports included in Appendix IA and Appendix IB to this prospectus, before making an investment in our Shares. You should pay particular attention to the fact that we conduct significant operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the trading price of our Shares may decline as a result. You may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to the pork industry; (iii) risks relating to the countries in which we operate; and (iv) risks relating to the Shares and the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our results of operations are substantially affected by cyclical fluctuations in the prices of hogs and fluctuations in the prices of grains and other commodities.

We are significantly affected by the cost of hogs and feed ingredients, which are our main raw materials, and the selling prices of our products and competing protein products, all of which are determined by constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control. These other factors include:

- environmental and conservation regulations;
- import and export restrictions such as trade barriers resulting from, among other things, food safety concerns and developments in international relations;
- the agricultural policies of various countries;
- government actions;
- economic conditions;
- weather, including the impact of weather on water supply and the availability and pricing of grains;
- energy prices, including the effect of changes in energy prices on our transportation costs and the cost of feed;
- competing demand for corn for use in the manufacture of ethanol or other alternative fuels; and
- crop and livestock diseases.

We cannot assure you that all or part of any increased costs experienced by us from time to time can be passed along to consumers of our products, in a timely manner or at all.

Hog prices demonstrate a cyclical nature over periods of years, reflecting changing market demand and supply. These fluctuations can be significant, as shown in recent years, with average domestic live hog prices in China decreasing from US$2.65 per kg in 2011 to US$2.38 per kg in 2012 and U.S. average domestic live hog prices increasing from US$0.93 per kg in 2009 to US$1.42 per kg in 2012. We may have difficulty passing increases in our raw material costs on to customers in a timely manner or at all. Furthermore, hog raising costs are tied to the prices of commodities like corn, soybean meal and other feed ingredients, which are in turn subject to significant volatility. For example, the price of corn, a key raw material for hog production, increased from US$0.15 per kg in 2009 to US$0.24 per kg in 2012 in the U.S. When hog prices are lower than our hog production costs, which has occurred in the past, our competitors that are not vertically integrated (i.e., those without significant hog production operations) may have a cost advantage over us.

Additionally, commodity pork prices demonstrate a cyclical nature over periods of years, reflecting changes in the supply of and demand for fresh pork and competing animal proteins, especially beef and chicken.

In our China business, we try to mitigate the effects of price fluctuations through strategic inventory management and by updating the pricing of our fresh pork products promptly following changes in raw material prices. In our U.S. business, we attempt to manage certain of these risks through the use of our risk management and hedging programs. There can be no assurance that any of these activities will be as effective as planned or that they will not adversely affect our operations. In particular, certain of these activities may also limit our ability to benefit from favorable commodity fluctuations. Additionally, a portion of our commodity derivative contracts are marked-to-market such that the related unrealized gains and losses are reported in earnings in the relevant period. This accounting treatment may cause significant volatility in our quarterly earnings. See “We may be adversely affected by our hedging activities” in this section and “Financial Information — General — Market and Other Financial Risks”.

We may be materially and adversely affected by negative publicity.

Negative publicity relating to our products, brands, operations, industry or products similar to ours may adversely affect consumer perceptions of our products and result in decreased demand for our products. In particular, negative publicity relating to any one of our brands may be particularly harmful as we use a limited number of brands—particularly in China—to sell our products, and therefore face risks from brand concentration. We use one brand in China and 12 core brands in the U.S. and plan to increase the proportion of our sales from branded products in the future. Adverse publicity concerning any perceived or real health risks associated with our brands or our products could also cause customers to lose confidence in the safety and quality of our food products, which could adversely affect our reputation, business, financial condition, results of operations and prospects, particularly as we expand our branded products business. We could also be adversely affected by perceived or real health risks associated with similar products produced by others to the extent such risks cause consumers to lose confidence in the safety and quality of such products generally and, therefore, lead consumers to opt for other meat options that are perceived as safe. For

example, we experienced substantially decreased sales of our pork products in China in 2011 following certain media reports that hogs delivered to one of our processing plants in Henan Province had been fed feed ingredients containing clenbuterol hydrochloride. Clenbuterol hydrochloride is an adrenal nervous stimulant and is prohibited under PRC law from being used as a feed additive to feed hogs. We closed the relevant plant for inspection for more than two months. Although, after extensive testing, no traces of clenbuterol hydrochloride were found in our products, we experienced decreased sales, with our operating results decreasing substantially from 2010 to 2011. For further details, please see the section headed "Business — Quality Control and Food Safety — Quality Control and Food Safety in China — Quality Control over our Production of Fresh Pork and Packaged Meat Products in China". There can be no assurance that there will not be similar reports or incidents in the future.

Any perceived or real health risks related to our raw materials, our products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage;
- food contamination;
- contamination of raw materials;
- consumer product liability claims;
- product tampering;
- product labeling errors;
- the expense and possible unavailability of product liability insurance; and
- the potential cost and disruption of a product recall.

If our raw materials or our products are found to be spoiled, contaminated, tampered with, incorrectly labeled or reported to be associated with any such incidents, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected. Despite the measures we have in place to control the quality of our raw materials and products, there can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, distribution and sales processes due to reasons unknown to us or out of our control. For example, in March 2011, there were media reports that certain hogs delivered to one of our processing plants in Henan Province had been fed feed ingredients containing clenbuterol hydrochloride. We closed the relevant plant for more than two months for inspection. Although, after extensive testing, no traces of clenbuterol hydrochloride were found in our products, we experienced decreased sales, with our gross profit decreasing substantially from 2010 to 2011. For further details,

see "— We may be materially and adversely affected by negative publicity." Although we have continued to implement and enhance our stringent quality control measures with respect to the detection of clenbuterol hydrochloride in the hogs we process and in our products, there can be no assurance that such measures will prevent similar incidents from occurring in the future.

Furthermore, our products are susceptible to contamination by disease-producing organisms or pathogens, such as Listeria monocytogenes, Salmonella, Campylobacter and generic E. coli. Because these organisms and pathogens are generally found in the environment, there is a risk that one or more of them, as a result of food processing, could be present in our products. We have systems in place designed to monitor food safety risks throughout all stages of our processes. However, we cannot assure you that such systems, even when working effectively, will eliminate the risks related to food safety. These organisms and pathogens can also be introduced to our products as a result of improper handling in transportation or at the further processing, foodservice or consumer level. In addition to the risks caused by our processing operations and the subsequent handling of the products, we may encounter the same risks if any third party tampers with our products. We could be required to recall certain of our products in the event of contamination or adverse test results. Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

We have recently completed a major acquisition and may experience difficulties managing and integrating operations or otherwise fail to achieve the desired benefits from the acquisition.

We completed the acquisition of Smithfield in September 2013. As this was our first overseas acquisition, we do not have other experience integrating international operations. Moreover, as the largest pork company in the world on a stand-alone basis, Smithfield has significant operations, and we may fail to effectively manage Smithfield's operations, effectively integrate them with our other operations or otherwise obtain the desired benefits from the acquisition.

We rely extensively on Smithfield's management team for the management of Smithfield, under which we operate the majority of our business. Smithfield's current management team is familiar with Smithfield's operations in the U.S. and internationally and the pork industry generally, with the team members having served with Smithfield for many years. Although we have retained Smithfield's management and certain of the Smithfield management team members are covered by retention award schemes covering the three years following the merger, there can be no assurance that we will be able to continue to retain any of the members of the Smithfield management team either during that period or afterward. If we are unable to retain Smithfield's management team, we may be unable to find suitable replacements in a timely manner or at all, which could adversely impact our ability to manage and integrate our operations. Any failure to manage and integrate Smithfield's operations with our other operations or to otherwise realize the desired benefits from the acquisition may have a material and adverse effect on our business, financial condition, results of operations and prospects.

As of December 31, 2013, we had US$1,835 million of goodwill, which represented approximately 13.0% of our total assets, the majority of which was related to Smithfield and its

subsidiaries. Goodwill is recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyses further require us to make judgmental assumptions about sales, operating margins, growth rates, and discount rates. There are inherent uncertainties related to these factors and to management's judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators, including experiencing disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or market capitalization declines, any of which could be caused by our failure to manage Smithfield or to successfully integrate its operations with our other operations. Impairment charges could substantially affect our reported earnings in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

Our financial success is dependent on our continued innovation and successful launch of new products and promoting our brands through marketing investments, and we may not be able to anticipate or make timely responses to changes in the tastes and preferences of consumers.

The success of our operations depends on our ability to identify market trends and introduce new or enhanced products in a timely manner that satisfy the tastes and preferences of customers. Customer preferences differ across and within each of our operating regions and shift over time in response to changes in culinary, demographic and social trends, economic circumstances and the marketing efforts of our competitors. There can be no assurance that our existing products will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in consumer tastes and preferences in a timely manner. Our failure to anticipate, identify or react to these particular tastes or changes could adversely affect our sales performance and our profitability. In addition, demand for many of our consumer products is closely linked to consumers' purchasing power and disposable income levels, which may be adversely affected by unfavorable economic development in the countries in which we operate.

We devote significant resources to new product development and product extensions. However, we may not be successful in developing innovative new products, and our new products may not be commercially successful. To the extent we are not able to effectively gauge the direction of our key markets and successfully identify, develop and manufacture new or improved products in these changing markets, our financial results and our competitive position will suffer. Moreover, there are inherent market risks associated with new product introductions, including uncertainties about marketing and consumer acceptance, and there can be no assurance that we will be successful in introducing new products. We may expend substantial resources developing and marketing new products which may not achieve expected sales levels. In particular, we plan on developing and launching products for the Chinese market using raw materials from our U.S. operations and leveraging our U.S. brands and technology, and there can be no assurance that we will be able to successfully develop such products and related branding or to successfully promote them in China.

In addition, we may not be successful in maintaining or strengthening our brand image. We seek to maintain and strengthen our brand image through marketing investments, including advertising,

consumer promotions and trade promotions. Maintaining and strengthening our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. If we do not maintain and strengthen our brand image, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to risks associated with our exports from the U.S. and our international operations.

Exports accounted for approximately 25.7% of the sales value of Smithfield's U.S. fresh pork operations in the eight months ended December 29, 2013, during which Smithfield exported products to more than 30 countries from its U.S. operations. In addition, we conduct international operations in Poland, Romania and the United Kingdom. Further, we are engaged in joint ventures in Mexico and have a significant investment in Western Europe through Campofrio. Our international sales, operations and investments are subject to various risks related to economic or political uncertainties including among others:

- general economic and political conditions;
- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries and the increase in these types of restrictions as the market share of U.S. pork products in international markets continues to grow;
- import or export licensing requirements imposed by various foreign countries;
- rules and regulations imposed by various foreign countries to restrict the business operations of noncitizens;
- the closing of borders by foreign countries to the import of our products due to, among other things, animal disease or other perceived health or safety issues;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including the U.S. Foreign Corrupt Practices Act;
- different regulatory structures and unexpected changes in regulatory environments;
- earnings that may be subject to withholding requirements, higher tax rates and incremental taxes upon repatriation;
- potentially negative consequences from changes in tax laws;
- distribution costs, disruptions in shipping or reduced availability of freight transportation; and
- fluctuations in selling prices and margins on our international sales.

Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of the markets where we operate or in other developing markets and could materially and adversely affect our business, financial condition, results of operations and prospects.

In particular, we are subject to risks relating to ractopamine, a feed additive that promotes leanness in meat. Ractopamine is permitted to be added to hog feed in certain countries, including the U.S. However, it is banned in China as well as certain other countries and, as a result, products produced from ractopamine-fed hogs cannot be imported into China and such other countries. In order to serve these markets, we have begun transitioning a portion of our hog production and processing in the U.S. away from the use of ractopamine-fed hogs. As of December 31, 2013, we had total ractopamine-free hog production capacity of 36,000 hogs per day and total ractopamine-free hog processing capacity of 43,100 hogs per day in the U.S. We expect to have daily ractopamine-free hog production of 56,000 hogs and daily ractopamine-free processing capacity of 63,800 hogs by July 2014. There are costs associated with transitioning to ractopamine-free production and processing, and there is currently no price premium for pork produced without ractopamine. Therefore, we cannot assure you that our results will benefit from these investments in increasing ractopamine-free production and processing.

Although we have established robust inspection systems to ensure that pork from ractopamine-fed hogs is not imported into China or other countries which prohibit imports of pork from ractopamine-fed hogs, there can be no assurance that the products which we import into such countries will not contain ractopamine. If any of our products imported into such countries are found to contain ractopamine, it may materially and adversely impact our brand image and we may lose our ability to export pork to China or those other countries, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.

We have significant biological assets, primarily consisting of live hogs, which are required to be measured at fair value less the estimated cost to sell such assets at each reporting date in accordance with IFRS. Fair value gains or losses with respect to these assets consist of changes due to changes in the physical characteristics of the hogs (e.g., growth from suckling hogs to finishing hogs) or changes in market prices for hogs or feed grains. Furthermore, the fair value of our biological assets are determined pursuant to various assumptions that may vary from time to time. Market prices for hogs and feed grains are highly volatile and susceptible to significant fluctuation from period to period. As a result of remeasurement of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. Moreover, we have substantially more biological assets following our acquisition of Smithfield, and Smithfield's biological assets were accounted for according to the cost method in accordance with U.S. GAAP in the preparation of certain of the financial information included in the Financial Information of Smithfield Group in Appendix IB. We will be required to use the fair value method in accordance with IFRS to account for the biological assets of Smithfield, as well as the biological assets of all of our

other subsidiaries, going forward. Accordingly, the future volatility of our results may not be apparent from the financial information for the Track Record Period. For further details, please see the section headed "Financial Information — General — Principal Factors Affecting Our Results of Operations — Changes in the Fair Value of Our Biological Assets."

Additionally, although we may recognize fair value gains from increases in the fair value of our biological assets, these changes will not represent changes in our cash position as long as the relevant assets continue to be held by us.

Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.

As of December 31, 2013, we had outstanding indebtedness of approximately US$7,432 million, representing 52.5% of our total assets. This outstanding indebtedness is primarily related to the financing for our acquisition of Smithfield. Although we intend to pay down a portion of our outstanding indebtedness with a portion of the net proceeds from the Global Offering, we will continue to have significant indebtedness. This significant indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;

- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;

- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and

- increasing our vulnerability to downturns in general economic, or industry conditions, or in our business.

Furthermore, the terms of our indebtedness contain affirmative and negative covenants that, among other things, limit or restrict our ability to use earnings generated by our subsidiaries to declare

or pay dividends; conduct acquisitions; create liens and encumbrances; incur additional debt; merge, dissolve, liquidate or consolidate; dispose of or transfer assets; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to comply with various financial covenants.

Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A breach of any of these covenants or restrictions could result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. If we were unable to repay our indebtedness to our lenders in such an event, the lenders could, among other things, proceed against collateral, which could include substantially all of our assets. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this prospectus. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to comply with legal or regulatory requirements or to obtain or adhere to requirements under relevant licenses or permits.

Our manufacturing and other production facilities, including hog farming, as well as the processing, packaging, storage, distribution, advertising and labeling of our products, are subject to extensive legal and regulatory food safety requirements, including regular government inspections and governmental food processing controls, in the countries in which we operate. In China, under applicable laws and regulations, we are required to obtain and maintain various licenses and permits in order to operate our hog farming and slaughtering operations. These include, amongst others, "Livestock and Poultry Breeders Production Operation Permit" (種畜禽生產經營許可證), "Certificate for Animal Epidemic Disease Prevention" (動物防疫合格證) and "Certificate of Designated Location of Slaughterhouse for Hogs" (生豬定點屠宰證). In the U.S., our hog processing facilities are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 and our products in the U.S. are subject to inspection prior to distribution, primarily by the USDA and the FDA. Furthermore, our livestock procurement and activities in the U.S. are regulated by the Grain Inspection, Packers and Stockyards Administration, which is part of USDA's Marketing and Regulatory Programs, and our hog production facilities and operations are subject to regulations including those relating to water quality. We are also required to obtain various government approvals and comply with applicable hygiene and food safety standards in relation to our production processes, premises and products. Loss of or failure to obtain necessary permits and licenses could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect our operating results. If we are found not to be in compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as

well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future material changes in food safety regulations could result in increased operating costs or affect our ordinary operations, which could also have a material adverse effect on our operations and our financial results.

We rely substantially on external suppliers for hogs, feed and other raw materials.

Live hogs are the main raw material we purchase from external suppliers for use in our operations, and a continuous and stable supply of hogs that meet our standards is crucial to our operations in China, the U.S. and internationally. We purchased substantially all of the hogs that we processed in our operations in China from third party suppliers in the year ended December 31, 2013, and Smithfield purchased 47% of the hogs that it processed in its U.S. pork segment and 32% of the hogs that it processed in its international operations from third party suppliers in the Smithfield 2013 Fiscal Year. We expect to continue to rely on external suppliers for a substantial percentage of our hog production requirements. We also utilize independent farmers and their facilities to raise hogs produced from our breeding stock under multi-year contracts, particularly for our U.S. operations. In the Smithfield 2013 Fiscal Year, approximately 74% of Smithfield's hogs were finished on contract farms. In addition, Smithfield has multi-year agreements with two of the top 15 hog producers in the U.S. to provide our U.S. operations with a stable supply of high-quality hogs at market-indexed prices. These producers supplied approximately 12% of the hogs processed by Smithfield's U.S. pork segment in the Smithfield 2013 Fiscal Year. However, in our China operations, we have not entered into any long-term contracts with any of our suppliers of live hogs. We also rely on external suppliers for other key raw materials, including feed ingredients and pork. There can be no assurance that we will continue to be able to source hogs or other raw materials meeting our requirements on reasonable prices or terms or at all. In the event that our supply of hogs is interrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Changes in our relationships with our major customers, or in the trade terms required by such customers, may reduce our sales and profits.

Our five largest customers accounted for approximately 2.2%, 1.9% and 7.3% of our total turnover for the years ended December 31, 2011, 2012 and 2013. Additionally, Smithfield's five largest customers accounted for a significant portion of its sales during the Track Record Period. We do not have long-term sales agreements (other than one third-party hog customer in the U.S.) or other contractual assurances as to future sales to these major customers.

Our business could suffer significant setbacks in sales and operating income if our customers' business plans or markets change significantly or if we lose one or more of our largest customers. Moreover, consolidation within the retail industry is likely to continue in the U.S. and China, including among supermarkets, warehouse clubs and food distributors, which would result in us having an increasingly concentrated retail base and increased credit exposure to certain customers. Furthermore, as the retail branded food and foodservice industries continue to consolidate, our large customers may seek to use their position to improve their profitability through improved inventory efficiency, lower pricing, increased promotional programs and increased emphasis on private label products. If we are unable to use our scale, marketing expertise, product innovation and category

leadership positions to effectively respond, our profitability or volume growth could be negatively affected. To the extent we provide concessions or trade terms that are more favorable to our customers, our margins would be reduced. The loss of a significant customer or a material reduction in sales to, or adverse change to trade terms with, a significant customer could materially and adversely affect our product sales, financial condition, results of operations and prospects.

In China, we rely substantially on third party distributors and our success depends on our distribution and logistics networks.

In China, we rely on our distribution network to sell a significant portion of our products. As of December 31, 2013, our distribution network in China spanned 31 provinces and in total consisted of more than 5,000 distributors. There can be no assurance that we will be able to maintain our existing relationships with distributors or to develop relationships with replacement distributors on favorable terms. In addition, as we seek to expand into new regions and new product categories and to increase our market penetration in our existing regions and product categories, there can be no assurance that we will be successful in establishing relationships with new distributors in these regions on favorable terms or at all. Furthermore, there can be no assurance that we will be successful in managing our distributors and detecting non-compliance with the provisions of our distribution agreements by them. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Any of these could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our ability to source, transport and sell products is critical to our success across our China, U.S. and international operations. Damage or disruption to our distribution logistics, or the distribution logistics of our suppliers and contract farmers, due to disputes, weather, natural disasters, fire, explosions, terrorism, pandemics or labor strikes could impair our ability to manufacture, distribute or sell our products. Changes in the business operations or financial performance of our suppliers or contract farmers could also disrupt our supply chain or distribution logistics. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or stoppages, fire, Acts of God or other calamities at or near our facilities.

We are reliant on equipment and technology in our facilities for the production and quality control of our products, and our operations are subject to production difficulties such as production facility capacity constraints, mechanical and systems failures and the need for construction and equipment upgrades, any of which may cause the suspension of production and reduced output. There can be no assurance that we will not experience problems with our equipment or technology in the future or that we will be able to address any such problems in a timely manner. Problems with key equipment or technology in one or more of our production facilities may affect our ability to produce

our products or cause us to incur significant expense to repair or replace such equipment or technology. Also, scheduled and unscheduled maintenance programs may affect our production output. Any of these could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, we depend on a continuous supply of utilities, such as electricity and water, to operate our production facilities. Any disruption to the supply of electricity or other utilities to our production facilities may disrupt our production, or cause the deterioration or loss of our inventory. This could adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business and results of operations. In addition, our operations are subject to operational risks. Fire, earthquakes, natural disasters, pandemics or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, could cause power outages, fuel shortages, water shortages, damage to our production, processing or distribution facilities or disruption of transportation channels, any of which could impair or interfere with our operations. For example, we experienced a fire at one of our plants in Harbin in 2011. The fire damaged the plant, we were forced to suspend production there for more than six months while repairs were made and we recorded an extraordinary loss of US$6 million in relation to the fire in 2011. Additionally, Smithfield experienced a fire at one of its plants in the U.S. in 2009. For further details see the section headed "Financial Information — Smithfield — Principal Factors Affecting Smithfield's Results of Operations — Fire insurance settlement". The fire did not significantly impact the operations of Smithfield, but the damage, for which Smithfield was insured, was substantial. There can be no assurance that similar or more serious events will not happen in the future or that we will take adequate steps to mitigate the likelihood or potential impact of similar events, or to effectively respond to such events if they occur, which could materially and adversely affect our business, financial condition, results of operations and prospects.

It may be difficult for investors to evaluate our business and our prospects due to the Group's limited operating history in its current form.

We completed the acquisition of Smithfield in September 2013 and have a limited history of operating on a combined basis. The financial information included in this prospectus includes financial information for the Group in its current state only from the date of the acquisition of Smithfield in September 2013 through December 31, 2013. As a result of the limited track record of the Group in its current state, it may be difficult for you to evaluate our combined business, results of operations and prospects.

Our operations are subject to the risks associated with acquisitions and investments in joint ventures.

From time to time we review opportunities for strategic growth through acquisitions. We have also pursued and may in the future pursue strategic growth through investment in joint ventures. These acquisitions and investments may involve large transactions or realignment of existing investments. These transactions present financial, managerial and operational challenges, including:

- diversion of management attention from managing our existing business;

- difficulty with integrating businesses, operations, personnel, financial and other systems;
- lack of experience in operating in the geographical or product markets of the acquired business;
- increased levels of debt potentially leading to associated reduction in ratings of our debt securities and adversely impact our various financial ratios;
- the requirement that we periodically review the value at which we carry our investments in joint ventures and, in the event we determine that the value at which we carry a joint venture investment has been impaired, the requirement to record a non-cash impairment charge, which charge could substantially affect our reported earnings in the period of such charge, would negatively impact our financial ratios and could limit our ability to obtain financing in the future;
- potential loss of key employees and customers of the acquired business;
- assumption of and exposure to unknown or contingent liabilities of the acquired businesses;
- potential disputes with the sellers; and
- potential lack of common business goals and strategies with, and cooperation of, our joint venture partners.

In addition, international acquisitions, such as our acquisition of Smithfield, present unique difficulties and increase our exposure to those risks associated with international operations.

We may experience financial or other setbacks if any of the businesses that we have acquired or may acquire in the future have problems of which we are not aware or liabilities that exceed expectations. Furthermore, we will be required to record a non-cash impairment charge if we determine that one or more of our equity investments are impaired in the future, which could substantially affect our reported earnings in the period of such charge.

Currently, we are seeking authorization from the Spanish securities regulator for a joint tender offer with Sigma Alimentos S.A. de C.V. ("**Sigma**") for the shares of Campofrio, a meat processing company focused on packaged meat products in Western Europe. The authorization request was still pending as of the Latest Practicable Date. Upon completion of the joint tender offer, we would continue to beneficially own an approximately 37% equity interest in Campofrio. For further information, see the section headed "History, Development and Corporate Structure — Our History — Investment in Campofrio". As this is still an ongoing transaction, we face uncertainty relating to the transaction and there can be no assurance that the transaction will be completed as planned. In addition, although we have entered into a shareholder agreement with Sigma in relation to the joint tender offer, there can be no assurance that our objectives and strategies in respect of our investment in Campofrio will be achieved.

Our success depends on our ability to retain our core management team and other key personnel.

Our performance depends on the continued service and performance of our Directors and senior management as they are expected to play an important role in guiding the implementation of the Group's business strategy and future plans. In particular, we are reliant on our Chairman and Chief Executive Officer, Mr. Wan Long, under whose direction our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. If Mr. Wan Long or any of our other Directors or any members of our senior management were to terminate their service or employment, there can be no assurance that we would be able to find suitable replacements in a timely manner, at acceptable cost or at all. Additionally, we face risks relating to the retention of Smithfield's management, see the section headed "—We have recently completed a major acquisition and may experience difficulties managing and integrating operations or otherwise fail to achieve the desired benefits from the acquisition" in this section. The loss of services of key personnel or the inability to identify, hire, train and retain other qualified and managerial personnel in the future may adversely affect our business, financial condition, results of operations and prospects.

We depend on the availability of human resources and satisfactory relations with our employees.

We face risks relating to our employee relations. Our operations in China, the U.S. and internationally depend on the availability, retention and relative costs of labor and maintaining satisfactory relations with employees.

As of December 31, 2013, we had approximately 73,213 employees in China. The Chinese economy has grown significantly over the past 30 years, which has resulted in an increased average cost of labor. The overall economy and the average wages in China are expected to continue to grow. Any shortages in the availability of labor, any material increases in the cost of labor or any deterioration in employee relations may have a material adverse effect on our business, financial condition, results of operations and prospects.

As of December 31, 2013, Smithfield had approximately 47,000 employees in the U.S. and internationally, 20,600 of whom were covered by collective bargaining agreements or are members of labor unions. In addition to depending on the availability, retention and relative costs of labor and maintaining satisfactory relations with employees, our operations in the U.S. and internationally also depend on our ability to maintain satisfactory relations with our labor unions. Further, employee shortages can and do occur, particularly in rural areas where some of our operations are located. Labor relations issues arise from time to time, including issues in connection with union efforts to represent employees at our U.S. plants and with our negotiation of new collective bargaining agreements. If we fail to maintain satisfactory relations with our employees or with the labor unions, we may experience labor strikes, work stoppages or other labor disputes. Negotiation of collective bargaining agreements also could result in higher ongoing labor costs. In addition, the discovery by us or governmental authorities of undocumented workers, as has occurred in the past, could result in our having to attempt to replace those workers, which could be disruptive to our operations or may be difficult to do. Furthermore, immigration reforms have been proposed in the U.S. and, if enacted, could increase our

costs in recruiting, training and retaining employees in the U.S. and increase our costs of complying with U.S. federal law in reviewing employees' immigration status. Furthermore, increased enforcement of existing immigration laws in the U.S. may disrupt a portion of our workforce or our operations. There can be no assurance that these activities or consequences will not adversely affect our business, financial condition, results of operations or prospects in the future.

We may be adversely affected by our hedging activities.

We are exposed to market risks primarily arising from changes in commodity prices and, to a lesser degree, interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative instruments, mainly grain and livestock futures, in our U.S. operations to hedge our exposure to changing prices and rates. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent that the derivatives are considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings. For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings. Certain of our existing commodity derivative contracts do not qualify, or are not designated as hedging instruments for accounting purposes, and the related unrealized gains and losses are therefore reported in earnings from period to period. The treatment of these unrealized gains and losses may cause significant volatility in our period-to-period earnings. Furthermore, an increase in our positions which are not designated for hedge accounting treatment, or do not qualify for such treatment, could result in volatility in our results of operations. Please see the section headed "Financial Information — General — Market and Other Financial Risks" in this prospectus for further details.

Furthermore, our liquidity position may be affected by changes in the underlying value of our derivative portfolio. In particular, we may be subject to margin calls with regard to our hedged products. The effects, positive or negative, on liquidity resulting from our risk management activities tend to be mitigated by offsetting changes in cash prices in our core business. For example, in a period of rising grain prices, gains resulting from our long grain derivative positions would generally be offset by higher cash prices we paid to farmers and other suppliers for purchases in spot markets. These offsetting changes do not always occur, however, in the same amounts or in the same period, with lag times of as much as twelve months. While these contracts reduce our exposure to changes in prices for commodity products, the use of such instruments may ultimately limit our ability to benefit from favorable trends in commodity prices.

We may not be able to adequately protect our intellectual property and know-how, which could harm the value of our brands and materially and adversely affect our business.

We rely heavily on our brands, and our continued success and growth depend upon our ability to protect and promote our brands, including, in particular, Shuanghui (雙匯), Smithfield, Eckrich, Farmland, Armour, Cook's, Gwaltney, John Morrell, Kretschmar, Curly's, Carando, Margherita and Healthy Ones. Counterfeit products are potential threats to the strength of our brands, which could reduce demand of our products.

We believe that our current intellectual property rights, and those for which we have pending applications, provide protection to our business and are all the rights necessary for our operations. However, there can be no assurance that our intellectual property applications, including but not limited to the applications for trademark registration of the names of our newly introduced products, will be approved, that any of our intellectual property rights will adequately protect our intellectual property, that such intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable or that our patents will be effective in preventing third parties from utilizing similar business models, approaches or brand names to offer similar products. We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and we may infringe third party intellectual property rights. Any of these developments could disrupt our business and divert our management's attention from our operations. The costs associated with such disputes, claims or litigation may be substantial and could have a material adverse effect on our brand image, business, financial condition, results of operations and prospects.

We may not have adequate insurance coverage.

We have maintained certain insurance coverage through external insurers during the Track Record Period. Additionally, using a third-party actuary, we have self-insured against certain losses relating to health and welfare, workers' compensation, auto liability and general liability claims relating to our U.S. and international operations. For additional details of our insurance coverage, see the section headed "Business — Insurance." However, in China and certain other areas in which we operate we do not maintain insurance policies against product liability claims, interruptions to business operations, or third party liability claims against claims for personal injury and environmental liabilities. If there are any product liability claims, interruptions to business operations or third party liability claims with respect to which we are not covered by insurance or in relation to which our insurance coverage is inadequate, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

Information technology is an important part of our business operations and we increasingly rely on information technology systems to monitor and track our biological and logistics assets, manage business data and increase efficiencies in our production and distribution facilities and inventory management processes. We also use information technology to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we depend on information technology for digital marketing and electronic communications between our facilities, personnel, customers and suppliers. Our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security issues. The technology security initiatives and disaster recovery plans we have implemented to address these concerns may not be adequate. Any significant failure of our systems,

including failures that prevent our systems from functioning as intended, could cause transaction errors, processing inefficiencies, loss of customers and sales, have negative consequences on our employees and our business partners and have a negative impact on our operations or business reputation.

In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, consumers or suppliers. In addition, the disclosure of non-public sensitive information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image.

We face risks relating to our relationship with our A Share listed company in China.

Our principal business in China is operated by our A share listed subsidiary in China, Shuanghui Development. Shuanghui Development must comply with various provisions in relation to the protection of minority shareholders under PRC laws and regulations. For instance, pursuant to relevant PRC laws and regulations, connected parties of Shuanghui Development must abstain from voting in relation to major connected transactions. Therefore, subject to certain conditions, transactions under agreements entered into between Shuanghui Development and/or its subsidiaries and the Company and/or its subsidiaries (other than Shuanghui Development and its subsidiaries), and/or other connected parties require the approval of non-connected directors of Shuanghui Development and/or the approval of the minority shareholders of Shuanghui Development. In the event that major operational decisions of the Company cannot be implemented due to a failure to obtain approval from the non-connected directors of Shuanghui Development and/or the minority shareholders of Shuanghui Development or, if applicable, waivers from the Shenzhen Stock Exchange, our operations and the implementation of our strategies may be adversely affected.

Furthermore, Shuanghui Group and Rotary Vortex agreed to make Shuanghui Development whole (through a return of shares to Shuanghui Development at nominal value and the payment of cash) if certain performance targets are not met with respect to assets injected into Shuanghui Development in 2014. For further details, see the section headed “History, Development and Corporate Structure — Our History — History of Our PRC Business — Increase of Our Interests in Shuanghui Development”. There can be no assurance that such performance targets will be met and that we will not be required to return shares or pay cash to Shuanghui Development. Moreover, Mr. Wan Long, Rise Grand, the Company, Rotary Vortex and Shuanghui Group have each undertaken to Shuanghui Development that they will not conduct any livestock production, slaughtering, meat processing or other meat-related operations in the PRC that could compete with the primary business of Shuanghui Development. They have also given Shuanghui Development a right of first refusal to invest in any business opportunity that may compete against the existing primary meat-related businesses of Shuanghui Development. This negative covenant restricts our ability to engage in such activities in China other than through Shuanghui Development, which restricts the means by which we may implement our business strategies. Moreover, if we are deemed to be in violation of these undertakings, we may be subject to legal proceedings initiated by the minority shareholders of Shuanghui Development or penalties by relevant government authorities or the Shenzhen Stock Exchange which, if resolved unfavorably against us, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with foreign exchange rate fluctuations.

We have significant operations in China, the U.S. and Europe. A decrease in the value of the Renminbi, the functional currency for our operations in China, against the value of the U.S. dollar, our reporting currency, can result in our incurring other comprehensive losses and there can be no assurance that such decreases will not occur. Additionally, we export products from the U.S. to more than 30 countries and changes in the exchange rates between our functional and reporting currencies and those of our international operations and the countries to which we export may adversely affect our sales and the margins of our products, which in turn may have a material adverse impact on our business, financial condition and our results of operations.

Defects related to certain properties leased by us in China may materially and adversely affect our ability to use such properties.

As of the Latest Practicable Date, we leased 140 parcels of land with a total area of approximately 4,869,411 square meters and 625 buildings consisting of an aggregate of approximately 86,586 square metres in various areas in China. Among these properties, (i) lessors of 277 properties with an aggregate GFA of approximately 45,119 square meters had not provided us with the relevant title certificates or written consents from the owners evidencing authorization of the subletting; and (ii) the lease agreements with respect to 625 buildings had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. We mainly use the affected properties for branch offices, staff dormitories, warehouses and some of our retail chain grocery stores.

Our PRC legal adviser has advised us that if the lessors do not actually have the requisite rights to lease these properties, we will not be penalized for the lessors' failure to provide the title certificates or other documents evidencing authorization of the subletting. However, the lease agreements governing the relevant properties may not be enforceable under PRC laws. As at the Latest Practicable Date, we were not aware of any challenge being made by any third party to our current occupation and use of such leased properties, but we may be required to cease occupation and use of such leased properties if valid claims are brought. We may claim compensation or indemnification from the non-compliant lessors under some of our lease agreements, but legal proceedings may consume substantial managerial and financial resources.

Regarding the properties for which we had not registered the relevant lease agreements, our PRC legal adviser has advised us that the relevant governmental authorities may require that the lease agreements be registered within a certain period of time. If we do not comply with such a requirement in a timely manner, the PRC housing administration authorities may impose a maximum fine of RMB10,000 for each agreement that has not been properly filed. In total, there were 601 lease agreements that had not been registered as of the Latest Practicable Date. It is not clear under PRC law whether such fines would be borne by the lessor or lessee. If the government authorities determine that we, as lessee, are liable for any or all of the fines, we could be required to pay a maximum fine of approximately RMB6.0 million for all relevant leases. According to applicable PRC laws, lessors

of the related leases need to provide us with certain documents in order to complete the administrative filings. We cannot assure you that the lessors of our leased properties will cooperate in the process of completing the filings. If the government authorities determine that we, as lessee, are liable for any or all of the fines, our business and results of operations may be adversely affected.

We are subject to potential adverse consequences due to our lack of building ownership certificates in respect of certain owned properties in the PRC

We have obtained land use right certificates for 124 parcels of land with an aggregate floor area of approximately 5,889,464 square meters and building ownership certificates for 432 buildings in the PRC with an aggregate floor area of approximately 1,601,147 square meters as of the Latest Practicable Date. As at the Latest Practicable Date, we had not obtained building ownership certificates for 43 buildings in China with a total gross floor area of approximately 25,423 square meters, representing an aggregate of approximately 1.6% of the total gross floor area occupied by the Group in China. These buildings are mainly workshops, warehouses or other auxiliary facilities. According to our PRC legal adviser, the potential liabilities primarily include (i) fines in the amount of not more than 10% of the construction costs for not obtaining Construction Project Planning Permit prior to construction, (ii) fines in the amount of not more than 2% of the construction agreement price for not obtaining Building Engineering Construction Permit prior to construction, and (iii) fines in the amount of not more than 4% of the construction agreement price for putting into use before completed acceptance. Our PRC legal adviser has also advised us that we may be required by the PRC building authorities to cease occupancy of the relevant properties or we may be required to demolish these properties. If we are required by the relevant PRC authorities to cease occupancy or demolish these properties and if we fail to find alternative replacement sites in a timely manner and on terms acceptable to us, our operations and financial results may be adversely affected.

RISKS RELATING TO THE PORK INDUSTRY

Outbreaks of disease among or attributed to livestock can significantly affect production, the supply of raw materials, demand for our products and our business.

We take precautions to ensure that our livestock are healthy and that our processing plants and other facilities operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. Livestock health problems can adversely impact our production, our supply of raw materials and consumer confidence in all of our operating segments.

From time to time, we have experienced outbreaks of livestock diseases and we may experience additional occurrences of disease in the future. Disease can reduce the number of offspring produced, hamper the growth of livestock to finished size, result in expensive vaccination programs and require the destruction of infected livestock, any of which could adversely affect our production or ability to sell or export our products. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of our food products. The A(H1N1) influenza outbreak that occurred in late 2009 illustrates the adverse impact that can result from the

outbreak of livestock diseases. Although the U.S. CDC and other regulatory and scientific bodies indicated that people cannot get A(H1N1) influenza from eating cooked pork or pork products, the perception of some consumers that the disease could be transmitted in that manner was the apparent cause of the temporary decline in pork consumption in the U.S. in 2009.

Furthermore, the USDA identified Porcine Epidemic Diarrhea Virus (“PEDV”) in the U.S. for the first time in 2013. PEDV is a coronavirus that infects hogs and causes porcine epidemic diarrhea, a condition of severe diarrhea and dehydration. For further details, see the section headed “Business — Quality Control and Food Safety — Quality Control and Food Safety in Our U.S. and International Operations — Quality Control over Hog Production in Our U.S. and International Operations.” PEDV is an industry-wide issue and has a significant presence in U.S. hogs. Current industry estimates of industry losses from PEDV range from 4-7% of U.S. hog production and these hog losses have resulted in higher hog prices. Our hogs have been affected across several regions in which we operate as PEDV continues to spread throughout the U.S. Although PEDV has already resulted in higher hog prices, due to the current uncertainty surrounding PEDV, we are unable to predict how the disease will impact our operations or market prices in the future. Although industry hog losses in the U.S. have resulted in increased hog prices which have generally had a positive effect on our business and results of operations up to the present time, there can be no assurance that we will not be disproportionately affected by PEDV in the future in a way that will materially and adversely affect our business, financial condition, results of operations and prospects.

In addition to risks associated with maintaining the health of our livestock, any outbreak of disease in China, the U.S. or in other countries could reduce consumer confidence in the meat products affected by the particular disease, generate adverse publicity, depress market conditions for our hogs in China, the U.S. or internationally and result in the imposition of import or export restrictions.

Outbreaks of disease among or attributed to livestock also may have indirect consequences that adversely affect our business. For example, past outbreaks of avian influenza in various parts of the world reduced the global demand for poultry and thus created a temporary surplus of poultry both domestically and internationally. This poultry surplus placed downward pressure on poultry prices, which in turn reduced meat prices including pork prices both in the U.S. and internationally. The occurrence of similar events in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

We operate in a highly competitive industry and may face increased competition.

We operate in the pork industry in China, the U.S. and international markets and face strong competition in terms of distribution, brand recognition, taste, quality, price, availability, and product positioning. Although we are by far the world’s largest pork products producer, the market is highly fragmented, particularly in China, and the resources of our competitors may increase due to mergers, consolidations or alliances, and we may face new competitors in the future. Furthermore, we face competition from producers of other animal proteins, in particular beef and chicken. In addition, as we seek to expand our market share in the Chinese markets in which we currently distribute our products and to distribute new products and to penetrate into new Chinese markets, we may have difficulty competing with local producers due to protectionist efforts by local governments to benefit local companies. From time to time in response to competitive and customer pressures or to maintain market share, we may be forced to reduce our selling prices or increase or reallocate spending on

marketing, advertising, promotions or selling concessions (e.g., rebates) in order to compete. These types of actions could decrease our profit margins. Such pressures may also restrict our ability to increase our selling prices in response to raw material and other cost increases. In light of the strong competition that we currently face, and which may intensify in the future, there can be no assurance that we will be able to increase the sales of our products or even maintain our past levels of sales, or that our profit margins will not be reduced. If we are unable to increase our product sales or to maintain our past levels of sales and profit margins, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our results of operations may fluctuate from period to period due to seasonality.

Our business is subject to seasonal fluctuations. There are seasonal patterns for pork production and pork product purchases in China, the U.S. and Europe. In China, consumer purchases of pork products usually peak around the Chinese Lunar New Year and other major holidays. In the U.S. and Europe, the highest sales periods for hams are the holiday seasons such as Christmas, Easter and, in the U.S., Thanksgiving, and the periods of our highest sales for smoked sausages, hot dogs and luncheon meats are the summer months. Our U.S. pork segment typically builds substantial inventory of hams in anticipation of its seasonal holiday business. In addition, our hog production segments in China, the U.S. and Europe experience lower farrowing performance during the winter months and slower animal growth rates during the hot summer months, resulting in a decrease in hog supplies in the summer and an increase in hog supplies in the fall. Due to the seasonality of our business, the results of any period of a year are not necessarily indicative of the results that may be achieved for the full year.

We face risks relating to fluctuations in the prices of substitute products.

Fluctuations in the market prices of substitutes to our products, especially decreases in the prices of substitute meat products relative to pork, affect the prices of pork products. As a result of decreases in the prices of substitute meat products relative to pork, consumers may purchase less pork. For example, past outbreaks of avian influenza in various parts of the world reduced the global demand for poultry and thus created temporary surpluses of poultry. These poultry surpluses placed downward pressure on poultry prices, which in turn reduced meat prices including pork prices. Even where we are able to adjust our selling prices in relation to decreases in the prices of substitute products, our profit margin may experience contraction, which in turn may have a material adverse impact on our business, financial condition, results of operations and prospects.

Environmental regulation and related litigation and commitments could have a material adverse effect on us.

Our past and present business operations and properties are subject to extensive and increasingly stringent laws and regulations in the countries in which we have operations pertaining to protection of the environment, including among others:

- the treatment and discharge of materials into the environment;
- the handling and disposition of manure and solid wastes; and

- the emission of greenhouse gases.

Failure to comply with these laws and regulations may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. Some requirements applicable to us may also be enforced by citizen groups or other third parties. Natural disasters, such as flooding and hurricanes, can cause the discharge of effluents or other waste into the environment, potentially resulting in our being subject to further liability claims and governmental regulation, as has occurred in the past. See the section headed "Business — Environmental Matters" for further discussion of our regulatory compliance as it relates to environmental risk. We have incurred, and will continue to incur, significant capital and operating expenditures to comply with these laws and regulations.

In addition, new environmental issues could arise that could cause currently unanticipated investigations, assessments, costs or expenditures. We may be subject to higher compliance costs in China, the U.S. or Europe if environmental protection laws become more stringent. Environmental claims or failure to comply with any present or future environmental protection laws may require us to spend additional funds and may adversely affect our results of operations.

PRC laws and regulations require enterprises engaged in manufacturing and construction that may produce environmental waste to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials. These laws and regulations also require payments from producers discharging waste substances. If we fail to comply with such laws or regulations and such failure results in environmental pollution, we may be required to pay fines. If the breach is serious, the PRC government may suspend or close any operation failing to comply with such laws or regulations. We cannot assure you that the PRC government will not change existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant capital expenditure that we may not be able to pass on to our customers through increased product prices.

Increased government regulations in the U.S. to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change may also result in increased compliance costs, capital expenditures and other financial obligations for us. We use fossil fuels and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our profitability. In addition, climate change could affect our ability to procure necessary commodities at costs and in quantities we currently experience and may require us to make additional unplanned capital expenditures.

We also face the risk of lawsuits, regardless of whether we are operating in compliance with applicable regulations. For example, in July, August and September 2013, 25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and our wholly owned subsidiary, Murphy-Brown LLC. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of unspecified amounts of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown LLC have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim, and for a More Definite Statement in all 25 cases. All 25

complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but have not initiated any formal legal process. Because this is a very preliminary matter, it is not possible to quantify what, if any, related exposure we may have. Furthermore, we cannot assure you that additional environmental related lawsuits, including additional nuisance claims, will not arise in the future. For further information, see the section headed "Business — Legal Compliance and Proceedings — Legal Compliance and Proceedings in the U.S."

Our operations are subject to the general risks of litigation.

We are involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and/or customer preference for our products and distract our management from other tasks. Litigation trends and expenses and the outcome of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect our financial results. Please see the section headed "Business — Legal Compliance and Proceedings" in this prospectus for details of our material litigation and proceedings.

RISKS RELATING TO COUNTRIES IN WHICH WE OPERATE

Changes in political, social and economic policies in any of China, the U.S. or Europe may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operations are primarily conducted in China, the U.S. and in Europe. Accordingly, we are affected by the economic, political and legal environment in China, the U.S. and in Europe.

In particular, China's economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has experienced rapid growth; and
- has a tightly controlled foreign exchange policy.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remain

state-owned and the PRC government exercises a high degree of control over these assets. In addition, the PRC government continues to play a significant role in regulating industrial development by imposing industrial policies. For the past three decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development.

China's economy has grown significantly in recent years; however, there can be no assurance that such growth will continue. The PRC government exercises control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall economy of China, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As such, our future success is, to some extent, dependent on the economic conditions in China, and any significant downturn in market conditions may materially and adversely affect our business prospects, financial condition, results of operations and prospects.

The preferential tax treatment, government subsidies and economic incentives that we enjoy in China may be altered or terminated.

We enjoy certain preferential tax rates in relation to our operations in China, in particular relating to our slaughtering operations. For further details, please see the section headed "Financial Information — General — Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items — Taxation — PRC tax." Additionally, we enjoy a number of government subsidies in China, including subsidies for our hog production operations and for enterprise development. For the years ended December 31, 2011, 2012 and 2013, total subsidies for our China operations amounted to US$38 million, US$43 million and US$51 million, respectively. There can be no assurance that the preferential tax treatment and subsidies that we enjoy will not be altered or terminated. Any alteration or termination of our current tax exemptions or subsidies could have a material adverse effect on our business, financial condition, results of operations and prospects.

China's legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

We have significant operations in China. The legal system of China is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited value as precedents. Since 1979, the PRC government has promulgated laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, China has not developed a fully integrated legal system. Recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these newer laws and regulations involve greater uncertainties than those in jurisdictions available to you. In addition, China's legal system is based in part on government policies and administrative rules and many have retroactive effects. We cannot predict the effect of future developments in China's legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

Government control of currency conversion could negatively affect our financial condition, operations and our ability to pay dividends.

A substantial portion of the turnover of our China operations is denominated and settled in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flow from our China operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Under our current corporate structure, our source of funds may include dividend payments and repayment of inter-company loans by our subsidiaries in China denominated in Renminbi. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If our China subsidiaries are unable to obtain SAFE approval to repay loans to us, or if future changes in relevant regulations were to place restrictions on the ability of our subsidiaries in China to remit dividend payments to us, our liquidity and ability to satisfy our third-party payment and loan repayment obligations, and our ability to distribute dividends in respect of the Shares (if applicable), could be materially and adversely affected.

Deterioration of economic conditions could negatively impact our business.

Our business may be adversely affected by changes in national or global economic conditions and local economic conditions in the markets in which we operate, including GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products or the cost and availability of our needed raw materials, thereby negatively affecting our financial results.

Disruptions and instability in credit and other financial markets and deterioration of national and global economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt;

- cause our lenders to depart from prior credit industry practice and make the granting of any technical or other waivers under our credit agreements more difficult or expensive;

- impair the financial condition of some of our customers, suppliers or counterparties to our derivative instruments, thereby increasing customer bad debts, non-performance by suppliers or counterparty failures, negatively impacting our treasury operations;

- negatively impact global demand for our products, which could result in a reduction of sales, operating income and cash flows;

- decrease the value of our investments in equity and debt securities, including the company-owned life insurance and pension plan assets, which could result in higher pension cost and statutorily mandated funding requirements; and

- impair the financial viability of our insurers.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries in China to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands, and we operate certain of our core businesses through our operating subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur indebtedness or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to China's accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards ("HKFRS"), IFRS and U.S. GAAP. PRC laws and regulations also require foreign-invested enterprises to set aside a portion of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries have entered into or may enter into in the future also restrict or may restrict in the future the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. These restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our directors and senior management.

We are incorporated in the Cayman Islands. A substantial portion of our assets, and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on

Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

Tax laws and tax arrangements on dividend distribution may materially and adversely affect the results of the operations and financial condition of the Group, and gains on sale of the Shares may be subject to withholding taxes under PRC tax laws.

Under the EIT Law, a withholding income tax of 20% is applicable to dividends derived from sources within China paid by foreign-invested Chinese enterprises to their non-Chinese parent companies, whereas pursuant to the implementation rules of the EIT Law a reduced withholding income tax of 10% applies to the same case. Similarly, any gain realized on the transfer of shares of foreign-invested Chinese enterprises by foreign investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Due to the arrangements between China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income dated 21 August 2006, a company incorporated in Hong Kong receiving dividends from a Chinese subsidiary will be subject to withholding income tax of 5% if it holds an interest of 25% or more in that particular Chinese subsidiary or withholding income tax of 10% if it holds an interest of less than 25% in that subsidiary, subject to other requirements.

However, there is no guarantee that we will be able to continue to enjoy this preferential withholding income tax rate. Pursuant to a tax notice promulgated by SAT on August 24, 2009 and a supplementary notice promulgated on June 21, 2010, tax treaty benefits will be denied to "conduit" or shell companies without business substance and a beneficial ownership analysis based on the "substance-over-form" principle will be used to determine whether or not any tax treaty benefits can be granted. Our Hong Kong company operates trading, as well as corporate management and administrative functions, and we believe it has business substance. It is possible that under the tax notice, our Hong Kong company would not be considered as the "beneficial owner" of any dividends paid to the Group from its Chinese subsidiary through our Hong Kong company. If the preferential withholding income tax treatment of 5% does not apply to the Group for any other reasons mentioned above, the Group's financial condition and results of operations could be adversely affected.

We face uncertainty relating to the SAT Circular No. 698.

Pursuant to the Circular of the State Administration of Taxation on Strengthening Corporate Income Tax Management on Non-resident Enterprises Equity Transfer Income (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the "**SAT Circular No. 698**"), except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity of a PRC resident enterprise by disposing of the equity of an overseas holding company ("**Indirect Transfer**") and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance-over-form" approach, the PRC tax authority may disregard the existence of an overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such as an Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular No. 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction to request information from a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated as to how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular No. 698 may be determined by the tax authorities to be applicable to the various Shareholder transfers in our history, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may become at risk of being taxed under SAT Circular No. 698 and may be required to expend valuable resources to comply with SAT Circular No. 698 or to establish that we should not be taxed under SAT Circular No. 698, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Failure by the Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our Shareholders who are PRC residents to liability under PRC laws.

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in the PRC by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular No.75**"), promulgated by SAFE on October 21, 2005 and effective as of November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a "Registration Form of Overseas Investments Contributed by Domestic

Individual Residents" and register with SAFE. It also requires such investors to update SAFE within 30 days of any major changes in capital, including any increases and decreases of capital, share transfers, share swaps, mergers and divisions. Failure to register or update registrations may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how SAFE Circular No.75 and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC government authorities. To the best of our knowledge, as at the Latest Practicable Date, our PRC Shareholders with offshore investments in the Group had registered with SAFE as to their offshore investments. Any failure by our PRC Shareholders to register with SAFE or update SAFE's records may result in the prohibition of distribution or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, business operations, ability to make dividend payments to the Shareholders and share price.

The PRC regulations of loans and investments by offshore holding companies to Chinese entities may hinder us from using the net proceeds of the Global Offering to fund our business operations in China.

Any capital contributions or loans that our offshore holding companies make to our operating subsidiaries in China are subject to PRC regulations. In particular, any of our loans to our Chinese subsidiaries cannot exceed the difference between the total amount of investment our Chinese subsidiaries are approved to make under relevant PRC laws and the registered capital of our Chinese subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our Chinese subsidiaries must be approved by MOFCOM or its local counterpart. We cannot guarantee that we would be able to complete all the relevant necessary government registrations or obtain all required government approvals on a timely basis. Should we fail to complete such registrations and obtain such approvals, our ability to utilize the net proceeds from the Global Offering to capitalize our Chinese subsidiaries or otherwise fund our business operations in China in the manner described in the section headed "Future Plans and Use of Proceeds" in this prospectus may be adversely affected, which could in turn adversely affect the liquidity of our Chinese subsidiaries, our ability to expand through our Chinese subsidiaries' operation and its financial position and results of operation.

We face risks related to occurrences of epidemics, which could have a material adverse effect on our business and results of operations.

Our business is subject to the general economic, environmental and social conditions. In particular, it is possible for our business to be materially and adversely affected by the occurrence of epidemics. For example, over the past few decades, China has suffered health epidemics related to the outbreak of A (H5N1 and H7N9) influenza, or avian flu, A (H1N1) influenza and severe acute respiratory syndrome, or SARS. Any prolonged recurrence of avian influenza A, influenza A, SARS or other adverse public health developments in China may have a material and adverse effect on our business operations. These could include restrictions on our ability to travel or ship products, as well

as temporary closure of our factories and processing facilities. Such closures and/or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations. Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development. In turn, there could be a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to trade our Shares on the Hong Kong Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our turnover, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters, epidemics or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China, the U.S. and globally;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of Shares or other securities relating to the Shares in the public market, including by the Company's substantial shareholders, or the issuance of new Shares by the Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders will experience dilution in their holdings upon our issuance or sale of additional securities in the future.

Issuances of Shares in relation to the Pre-IPO Share Option Scheme will result in the dilution of your shareholdings in the Company, and the issuances or awards of Shares under the Pre-IPO Share Option Scheme and other share-based payment transactions may negatively impact the financial results of our operations on a per-share basis.

We have adopted the Pre-IPO Share Option Scheme which allows awards of options to purchase up to 584,795,555 Shares, representing approximately 4.0% of the total issued share capital of the Company upon completion of the Global Offering. We plan to make all of the awards allowed under the Pre-IPO Share Option Scheme. We have also adopted the 2010 Share Award Plan and 2013 Share Award Plan under which 631,580,000 Shares and 350,877,333 Shares, respectively, may be awarded as incentives to our employees, representing 4.3% and 2.4%, respectively, of the enlarged issued share capital of the Company upon completion of the Global Offering. On October 23, 2013, we undertook the following share-based payment transactions: (i) the Company issued 573,099,645 Shares, representing 3.9% of the enlarged issued share capital of the Company upon completion of the Global Offering, to Sure Pass, and (ii) the Company issued 245,614,133 Shares, representing 1.7% of the enlarged issued share capital of the Company upon completion of the Global Offering, to Rich Matrix. Furthermore, we may adopt additional share-based incentive plans in the future.

Options issued under the Pre-IPO Share Option Scheme are partially exercisable beginning one year after the Listing Date and fully exercisable five years after the Listing Date. Issuances of Shares in relation to the exercise of options granted under the Pre-IPO Share Option Scheme will result in an increase in the total number of outstanding Shares and therefore dilute your shareholding in the Company. Moreover, the issuances or awards of Shares under the Pre-IPO Share Option Scheme and any other share-based payment transactions that we may conduct may negatively impact the financial results of our operations on a per-share basis. We recognized a share-based payment expense of US$42 million and US$42 million for the years ended December 31, 2012 and 2013, respectively, in relation to the 2010 Share Award Plan. No Shares had been awarded under the 2013 Share Award Plan as of the Latest Practicable Date. In relation to the share-based payment transactions of issuing 573,099,645 Shares and 245,614,133 Shares to Sure Pass and Rich Matrix, respectively, on October 23, 2013, we recognized an aggregate expense of US$597 million in the year ended December 31, 2013. For more details, please see Notes 10 and 39 to section E of the Accountants' Report of the Group set out in Appendix IA to this prospectus.

Please see the section headed "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme" for details of the Pre-IPO Share Option Scheme, "History, Development and Corporate Structure — Our History — History of our PRC Business — Share Issuance and Transfer to Chang Yun" for details of the 2010 Share Award Plan and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith" for details of the 2013 Share Award Plan.

The market price of the Shares after trading begins could be lower than the Offer Price.

The initial price to the public of the Shares sold in the Global Offering will be determined on Tuesday, April 22, 2014. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the sixth Business Day after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- further limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Investors will pay a price per Share that substantially exceeds the per Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore

experience immediate dilution when investors purchase the Shares in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing in the Global Offering would receive less than the amount they paid for their Shares. See the section headed "Appendix II — Unaudited Pro Forma Financial Information."

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on factors including whether we are able to generate sufficient earnings. Distributions of dividends will be determined by our Board at their discretion in accordance with relevant regulations and will be subject to Shareholder approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits, our Articles of Association, and any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — General — Dividend Policy and Distributable Reserves" for additional details regarding our dividend policy.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources and other third parties contained in this prospectus, and statistics in this prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the "Industry Overview" section of this prospectus.

Facts, forecasts and other statistics in this prospectus relating to the economy and the pork industry on a national, regional and provincial basis have been collected from materials from official government sources. We cannot assure you regarding, nor make any representation as to, the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisers, nor the Selling Shareholders or any of their affiliates or advisors, nor the Underwriters or any of their affiliates or advisers, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economies and the industry derived from official government sources used in this prospectus may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other issues, the statistics, industry data and other information relating to the economies and the industry derived from official government sources and provided by Frost & Sullivan might be inaccurate or might not be comparable to statistics produced from other sources. The statistics contained in the "Industry Overview" and other sections of this prospectus provided by Frost & Sullivan should be read in conjunction with the assumptions and methodologies set forth in the "Industry Overview" of this prospectus. In all cases, you should carefully consider how much weight or importance you should attach or place on such statistics, industry data and other information relating to the economies and the industry.

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Investors may not be able to participate in rights offerings or elect to receive stock dividends and may experience dilution of your holdings.

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities. We will not distribute rights to a holder of our Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration, or in a transaction not subject to registration, under the U.S. Securities Act or are registered under the U.S. Securities Act. We cannot assure you that we will be able to establish an exemption or exclusion from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to any rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of the Shares in the United States or other jurisdictions that have relevant restrictions may be unable to participate in rights offerings and may experience dilution of their holdings as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we may allow the rights to lapse, in which case holders of the Shares will receive no value for these rights.

You should rely only on this prospectus and not place any reliance on any information contained in press articles or other media in making your investment decision.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is not contained in, or is different from what is contained in, this prospectus. Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information purportedly about us contained in any such unauthorized press and media coverage may be untrue and may not reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus and the Application Forms.

In preparation for the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO DISCLOSURE OF PRE-ACQUISITION FINANCIAL INFORMATION

Rule 4.05A of the Listing Rules requires that where a new applicant acquires any material subsidiary or business during the trading record period and such an acquisition if made by a listed issuer would have been classified at the date of application as a major transaction or a very substantial transaction, it must disclose pre-acquisition financial information on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

The Company's acquisition of Smithfield was completed on September 26, 2013, which is within the Track Record Period. Pursuant to Rule 4.05A of the Listing Rules, the pre-acquisition financial information of Smithfield from the commencement of the Track Record Period to the day immediately before the completion date of the Merger, i.e. from January 1, 2011 through September 25, 2013 ("**Pre-acquisition Period**"), should be disclosed in this prospectus, and such pre-acquisition financial information of Smithfield should be prepared in conformity with the accounting policies adopted by the Company which comply with IFRS.

It would create substantial practical difficulties and require us and our reporting accountants to undertake a considerable amount of work, which impose onerous and burdensome obligations in terms of time, resources and costs if audited financial statements of Smithfield were to be prepared for the two years ended December 31, 2012 and the period between January 1, 2013 and September 25, 2013 under the accounting policies adopted by the Company which comply with IFRS in strict compliance with Rule 4.05A of the Listing Rules, primarily because (i) Smithfield operates a global business composed of numerous operating entities and accounting systems; as of the Latest Practicable Date, Smithfield had 100 subsidiaries, organized and existing under the laws of various states in U.S., Poland, Romania, Mexico, the UK and certain Western European countries, (ii) the Pre-acquisition Period was not coterminous with the relevant fiscal years of Smithfield, ending on the Sunday nearest April 30 of a given year, (iii) the audited or reviewed accounts of Smithfield had been prepared on the basis of U.S. GAAP in accordance with the requirements of the relevant U.S. securities law, audited or reviewed by Smithfield's independent auditors, and filed in Form 10-Ks or Form 10-Qs with the SEC; there are material differences between the disclosure requirements of U.S. GAAP and IFRS, (iv) presenting Smithfield's financial statements during the Pre-acquisition Period, including the consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows, with notes disclosing, among other things, information that is not presented elsewhere in the

financial statements, on the basis of the accounting policies adopted by the Company which comply with IFRS would present extremely onerous challenges; for example, the Company would need to analyze sales and purchasing activities and ensure proper cut off as of the end of the relevant periods, conduct valuations of biological assets as of the end of relevant periods, conduct actuarial valuations on various pension and other post-retirement benefit plans as of the end of relevant periods, and re-compute income tax provisions and related tax adjustments, and (v) even after Smithfield's financial statements had been prepared for the Pre-acquisition Period on the basis of the accounting policies adopted by the Company which comply with IFRS, it would be unduly burdensome to conduct the audit procedures in relation to these financial statements.

Considering that this prospectus will include alternative financial statements and related information broadly commensurate in all material respects with the disclosure in the audited financial statements that would otherwise have been provided, which will afford the investors with all material information necessary to assess the financial performance of Smithfield throughout the periods presented, we believe that strict compliance with Rule 4.05A of the Listing Rules will impose onerous and burdensome obligations on us and our reporting accountants.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 4.05A of the Listing Rules on the conditions that the following alternative financial statements and related information be included in this prospectus, which we believe will provide a comparable and meaningful pre-acquisition financial information of Smithfield to investors as required under Rule 4.05A of the Listing Rules:

(i) financial statements of the Company prepared under IFRS and audited by the reporting accountants for the two years ended December 31, 2012 (not including Smithfield) and the year ended December 31, 2013 (including Smithfield from September 26, 2013). Please see Appendix IA to this prospectus;

(ii) financial statements of Smithfield for each of the three years ended May 1, 2011, April 29, 2012 and April 28, 2013 prepared under U.S. GAAP and audited by Ernst & Young LLP, Smithfield's independent auditors until September 26, 2013. Please see section (A) of Appendix IB to this prospectus;

(iii) financial statements for the periods from April 29, 2013 to September 26, 2013 and from September 27, 2013 to December 29, 2013 prepared under U.S. GAAP and audited by Deloitte & Touche LLP, Smithfield's independent auditors from September 27, 2013. Please see section (A) of Appendix 1B to this prospectus;

(iv) quarterly financial statements of Smithfield for the three months ended July 28, 2013 and the three months ended October 27, 2013 prepared under U.S. GAAP, which have been filed with the SEC in accordance with Article 10 of Regulation S-X under the U.S. Securities Act. Please see section (A) of Appendix IB to this prospectus. The financial statements for the three months ended July 28, 2013 were reviewed by Ernst & Young LLP and those for the three months ended October 27, 2013 by Deloitte & Touche LLP, in each case in

accordance with Public Company Accounting Oversight Board AU section 722, *Interim Financial Information* (AU 722). AU722 is equivalent to a review in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity";

(v) line-by-line reconciliation of Smithfield's audited financial statements as set out in (ii) and (iii) above and quarterly financial statements as set out in (iv) above, for the differences between its accounting policies under U.S. GAAP and the Company's accounting policies under IFRS, and with an explanation of the differences. Such reconciliation has been reviewed by Deloitte Hong Kong under Hong Kong Standard of Assurance Engagements 3000. Please see section (B) of Appendix IB to this prospectus;

(vi) additional financial information of Smithfield that are required for an accountants' report under the Lisitng Rules but not included in (ii), (iii) or (iv) above. Please see section (C) of Appendix IB to this prospectus; and

(vii) pro forma financial statements of the combined and enlarged Group for the year ended December 31, 2013 (the "**Smithfield Pro Forma**", together with (ii), (iii), (iv), (v) and (vi) above, the "**Financial Disclosure Package**"). Please see section (B) of Appendix II to this prospectus.

WAIVER IN RELATION TO PRO-FORMA FINANCIAL INFORMATION

Rule 4.29 of the Listing Rules provides that where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Listing Rules), that information must comply with Rules 4.29(1) to (6) of the Listing Rules and a report in the terms of Rule 4.29(7) of the Listing Rules must be included in the relevant document. Rule 4.29(6)(b) of the Listing Rules further requires that any adjustments which are made to the information referred to in Rule 4.29(5) of the Listing Rules in relation to any pro forma statement must be directly attributable to the transaction concerned (i.e. the Global Offering and Listing on the Stock Exchange in the Company's case) and not relating to future events or decisions.

It is not a requirement under the Listing Rules to include the Smithfield Pro Forma in this prospectus. However, as part of the Global Offering, we intend to offer the Shares in an international offering, including offers to QIBs in the United States in reliance on Rule 144A or other exemptions under the U.S. Securities Act. Consistent with disclosure practices and investor expectations for a Rule 144A offering, the disclosure in this prospectus is expected to be generally consistent with the disclosure standards of the SEC. Those disclosure standards include requirements that a company offering securities include pro forma financial statements in a number of situations, including if during the most recent fiscal year a "significant business combination has occurred." The Company's acquisition of Smithfield is considered as a "significant business combination" for these purposes, and the Company will therefore need to include in this prospectus the pro forma financial statements for the year ended December 31, 2013 reflecting the acquisition of Smithfield as if it took place on

January 1, 2013 on a pro forma basis. Hence, the inclusion of the Smithfield Pro Forma in this prospectus is for the purpose of conforming with the disclosure standards of the SEC. In addition, the Smithfield Pro Forma presented in this prospectus is in compliance with Rule 4.29 of the Listing Rules except for Rule 4.29(6)(b). It is also considered that such presentation, on the one hand, would achieve the objectives of the requirements under Rule 4.05A of the Listing Rules and on the other hand, the Financial Disclosure Package as a whole would enable investors to have a fuller picture of the overall financial performance of the Group as enlarged by the acquisition of Smithfield.

The Smithfield Pro Forma was prepared based on (i) the audited financial information of the Group for the year ended December 31, 2013 as set out in Appendix IA to the prospectus, and (ii) the unaudited financial information of Smithfield for the period from January 1, 2013 to September 25, 2013, which was prepared in accordance with the accounting policies conforming with IFRS and after having incorporated the unaudited pro forma adjustments described in the accompanying notes to section (B) of Appendix II to this prospectus. Deloitte Hong Kong has performed procedures in relation to the Smithfield Pro Forma in accordance with Hong Kong Standard on Assurance Engagement 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in the Prospectus" issued by the Hong Kong Institute of Certified Public Accountants, including, but not limited to, obtaining evidence about the appropriateness of the source from which the unadjusted financial information has been extracted, the appropriateness of the pro forma adjustments and the calculations within the pro forma financial information. In the opinion of Deloitte Hong Kong, the Smithfield Pro Forma has been properly compiled on the basis stated; such basis is consistent with the accounting policies of the Group; and the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules. Please see section (B) of Appendix II to this prospectus. The Joint Sponsors, having considered Rule 4.29 of the Listing Rules and after (i) reviewing the procedures performed by Deloitte Hong Kong, and (ii) participating in discussions with Deloitte Hong Kong and the Company, are of the view that the presentation of the Smithfield Pro Forma is fair and reasonable.

We believe the Smithfield Pro Forma is material information for investors. Smithfield, on a stand-alone basis, is the world's largest pork company and since the Merger, we now operate the majority of our business under Smithfield. By illustrating the scope of the change in our financial position and results of operations, the Smithfield Pro Forma, together with our historical financial statements, provides investors with information relevant to the continuing impact of our acquisition of Smithfield by showing how the transaction might have affected our historical financial statements for all of 2013. In addition, we believe the Smithfield Pro Forma is not misleading as it constitutes only a part of the Financial Disclosure Package and illustrates only the isolated and objectively measurable (based on historically determined amounts) effects of our acquisition of Smithfield while excluding effects that rely on highly judgmental estimates of how historical management practices and operating decisions may or may not have changed as a result of the Merger.

Accordingly we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 4.29 of the Listing Rules.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares as set out in the paragraph.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 to the Listing Rules such that, in the event of over-subscription, the alternative clawback mechanism shall be applied to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists, subject to the condition that the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering. For further information of such clawback mechanism, please see the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation".

WAIVER IN RELATION TO PUBLIC OFFERING WITHOUT LISTING IN JAPAN

As part of our International Offering, we are conducting a public offering without listing in Japan ("**POWL**"). In this connection, we have applied for and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 9.11(35)(b) and paragraph 11 of Appendix 6 to the Listing Rules for each placing broker to provide a list setting out the names, addresses and identity card or passport numbers (or registration number in the case of companies) of placees and beneficial owners (in the case of nominee companies) and the amounts taken up by each of the placees.

The application is made on the grounds that:

(a) the Shares will be sold in Japan in a public offering governed by the applicable laws and regulations of Japan, with reasonable measures taken to ensure independence of the investors. The POWL offering is an offering to the public in Japan, and placees should by their nature be independent as there is no mechanism for placees to be preferred;

(b) the Company, the International Underwriters and the POWL placing brokers will use reasonable efforts to comply with Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules in good faith. However, Japanese regulations in general prohibit agents from disclosing individual clients' details (including, but not limited to, their names and addresses) to third parties. Also, it is currently expected that no less than 10,000 retail placees will participate in the POWL. Further, all information relating to placees would need to be translated into English. Accordingly, it would not be practicable and would be unduly burdensome for us, the International Underwriters and the POWL placing brokers

to provide a detailed list of placees in full compliance with the requirements under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules before commencement of dealings, given the nature and mechanics of the distribution to the public in Japan under the POWL;

(c) each POWL placing broker will submit to the Stock Exchange a list setting out details of all the institutional placees under the POWL and the number of Shares taken up by each of them as required under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules; and

(d) the Joint Sponsors, the International Underwriters or the POWL placing brokers will confirm in writing to the Stock Exchange the independence of the POWL placees.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details regarding the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon the Listing, as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the Pre-IPO Share Option Scheme.

We granted the Pre-IPO Share Options to 210 persons ("**Grantees**") to subscribe for 584,795,555 Shares on the terms set forth in the section headed "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme". These include four Grantees who are Directors, nine Grantees who are members of the senior management of the Company, 26 Grantees who are connected persons of the Company (other than the Directors and members of the senior management team of the Company) and the remaining 171 Grantees who are other employees of the Group ("**Other Grantees**").

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Options and certain Grantees under the Pre-IPO Share Option Scheme. In light of the requirements under the relevant regulations described above, we have made the following submissions to the Stock Exchange and the SFC:

(i) the Pre-IPO Share Options are granted to a total of four Directors, nine members of the senior management, 26 connected persons of the Company (other than the Directors and members of the senior management team of the Company) and 171 Other Grantees. Our

Directors consider that it would be unduly burdensome to disclose full details of all the Pre-IPO Share Options granted by us in this prospectus, which would involve more than 25 pages of content to be inserted into this prospectus, significantly increasing the cost and timing for information compilation, prospectus preparation and printing;

(ii) disclosure of full details of all Pre-IPO Share Options granted to all Grantees in this prospectus would expose us to increased risks of internal conflicts and could have an adverse impact on the morale among the Grantees;

(iii) disclosure of key information of the Pre-IPO Share Options granted to Directors, members of the senior management, connected persons of the Company and Other Grantees in the section headed "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme" is sufficient to provide potential investors with information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Pre-IPO Share Options in their investment decision making process;

(iv) disclosure of, on an individual basis, full details of the Pre-IPO Share Options granted by the Company to the Directors, members of the senior management of the Company, connected persons of the Company and the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares will be made in this prospectus, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(v) for the Other Grantees (other than the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares), there will be full disclosure on all Pre-IPO Share Options granted to them on an aggregate basis, including (a) the aggregate number of other grantees; (b) the number of Shares underlying the Pre-IPO Share Options; (c) the consideration paid for the Pre-IPO Share Options or an appropriate negative statement; (d) the exercise period of each Pre-IPO Share Option; and (e) the exercise price of the Pre-IPO Share Options;

(vi) a waiver and exemption from the applicable disclosure requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not hinder potential investors from making an informed assessment of our activities, assets and liabilities, financial position, management and prospects and the interest of public investors will not be prejudiced; and

(vii) the grant and exercise in full of the Pre-IPO Share Options will not cause any material adverse change in our financial position.

The Stock Exchange has granted us a waiver, subject to the conditions that:

- a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements be granted by the SFC and the particulars of the exemption be disclosed in this prospectus;

- on an individual basis, full details of all the Pre-IPO Share Options granted by the Company to the Directors, members of the senior management, connected persons of the Company and the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;

- in respect of the Pre-IPO Share Options granted by the Company to the Other Grantees (other than the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares), the following details be fully disclosed in this prospectus:

  (1) the aggregate number of the other grantees;

  (2) the number of Shares subject to such Pre-IPO Share Options and the percentage of the Company's total issued share capital represented by such Shares;

  (3) the consideration paid for the grant of such Pre-IPO Share Options or an appropriate negative statement;

  (4) the exercise period of the Pre-IPO Share Options; and

  (5) the exercise price for the Pre-IPO Share Options;

- the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Share Options be disclosed in this prospectus;

- the aggregate number of Shares subject to the outstanding Pre-IPO Share Options and the percentage of the Company's issued share capital of which such number represents be disclosed in this prospectus;

- a summary of the Pre-IPO Share Option Scheme be disclosed in this prospectus; and

- a full list of all the Grantees (including the Other Grantees) who have been granted Pre-IPO Share Options, containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection".

The SFC has granted a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- on an individual basis, full details of all the Pre-IPO Share Options granted by the Company to the Directors, members of the senior management of the Company, connected persons of the Company and the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares be disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

- in respect of the Pre-IPO Share Options granted by the Company to the Other Grantees (other than the grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 or more of the Shares), the following details be disclosed in this prospectus:

  (1) the aggregate number of other grantees and number of Shares subject to the Pre-IPO Share Options;

  (2) the consideration paid for the grant of the Pre-IPO Share Options or an appropriate negative statement; and

  (3) the exercise period and the exercise price for the Pre-IPO Share Options;

- a full list of all the Grantees (including the Other Grantees), containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection"; and

- the particulars of such exemption be disclosed in this prospectus.

Further details of the Pre-IPO Share Option Scheme are set forth in the section headed "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme".

DISCLOSURE OF RESIDENTIAL ADDRESS

We have applied for, and the SFC has granted, a certificate of exemption pursuant to Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of the disclosure of the residential address Mr. So Chak Kwong, one of our independent non-executive Directors. Mr. So has been appointed to two highly politically sensitive public positions, namely as a non-official member of the Economic Development Commission, and convenor of its working group on Convention and Exhibition Industries and Tourism in January 2013, and subsequently in October 2013 as the chairman

of the Hong Kong-Mainland Economic and Trade Committee. The new public positions held by Mr. So mentioned above relate to certain politically sensitive, controversial and widely publicized topical social issues. Thus, the inclusion of Mr. So's residential address in this prospectus would subject Mr. So to a real risk to his privacy and cause unnecessary disturbance to him and his family and would thereby be unduly burdensome and inappropriate. Further, all material information in relation to Mr. So as a Director as required to be disclosed under the Listing Rules has already been disclosed in this prospectus. For the reasons outlined above, the business address of Mr. So is disclosed in place of his residential address. Our Directors do not consider that the exemption would prejudice the interest of public investors.

WAIVER IN RELATION TO THE PUBLICATION OF ANNUAL REPORT

Pursuant to Rule 13.46(2) of the Listing Rules, an issuer is required to send a copy of its annual report including its annual accounts or summary financial report to its shareholders within four months after its financial year-end.

As the financial year-end of our Company falls on December 31 and the Listing is expected to commence on April 30, 2014, we would be required to publish our annual report for the year ended December 31, 2013 by April 30, 2014 pursuant to Rule 13.46(2) of the Listing Rules. Given that our financial information in respect of the financial year ended December 31, 2013 and the detailed management discussion on the changes of the financials in 2013 have been included in this prospectus and taking into consideration the short time between the date of this prospectus and the deadline for the publication of the annual report, our Directors consider that strict compliance with the requirements of Rule 13.46(2) of the Listing Rules to publish an annual report would not provide our Shareholders with further material information of our Company that is required to be disclosed in an annual report and would incur unnecessary administrative cost and be unduly burdensome for us. Our Directors, having made all reasonable enquiries and taking into account the advice of the legal advisors to the Company as to Cayman Islands law, confirmed that the departure from strict compliance with Rule 13.46(2) of the Listing Rules will not be in breach of the constitutional documents of the Company or laws and regulations of the Cayman Islands regarding the Company's obligation to distribute annual report and accounts. A short statement that we will comply with the code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 14 to the Listing Rules after the Listing has been set out in the section headed "Director, Senior Management and Employees — Corporate Governance".

On the basis above, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.46(2) of the Listing Rules in respect of the publication of an annual report for the financial year ended December 31, 2013.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus materially misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 182,749,000 Offer Shares and the International Offering of initially 3,472,231,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus, the exercise of the Offer Size Adjustment Option and, in case of the International Offering to any exercise of the Over-allotment Option) of which 2,741,231,000 are new Shares offered for sale by us and 731,000,000 are Sale Shares to be offered for sale by the Selling Shareholders.

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Underwriters' Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

The Hong Kong Public Offering Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for our Hong Kong Public Offering Shares are set out in the section headed "How to Apply for the Hong Kong Public Offering Shares" in this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on or around Tuesday, April 22, 2014, and in any event no later than Monday, April 28, 2014.

If the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price on or before Monday, April 28, 2014, the Global Offering will not become unconditional and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Public Offering Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Public Offering Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and Japan, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Public Offering Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering and the Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to our revenue for the year ended December 31, 2013, which is over HK$500 million, and our expected market capitalisation at the time of Listing, which is far beyond HK$4 billion.

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, April 30, 2014. Save as disclosed in this prospectus, no part of our Shares or capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters' Representatives, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set out under the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company's principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Dealings in the Shares registered in the Company's Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFERING SHARES

The procedures for applying for Hong Kong Public Offering Shares are set out in the section headed “How to Apply for the Hong Kong Public Offering Shares” in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.1557 to US$1.00, being the PBOC rate prevailing on April 4, 2014, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.7589 to US$1.00, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on March 21, 2014. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive and non-executive Directors		
Mr. WAN Long (萬隆), *Executive Director*	No. 3, Building 7 No. 200 Mansion, Lijiang Road Zhaoling District Luohe City Henan Province PRC	Chinese
Mr. JIAO Shuge (焦樹閣), *Non-executive Director*	Flat A, 18/F, Luna Sky Cullinan 1 1 Austin Road West Kowloon Hong Kong	Singaporean
Mr. GUO Lijun (郭麗軍), *Executive Director*	5/F, Room B Diamond Court Hillwood Road 10-12 Kowloon, Tsim Sha Tsui Hong Kong	Chinese
Mr. YANG Zhijun (楊摯君), *Executive Director*	Flat C, 65/F, Triumphal Arch Building 2 1 Austin Road West Kowloon Hong Kong	Chinese
Mr. POPE C. Larry, *Executive Director*	319 East Landing Williamsburg Virginia 23185 United States	American
Mr. ZHANG Taixi (張太喜), *Executive Director*	Room 903, Building 4 Qinghua Park Fuyuanmingju Songshan Road Luohe City Henan Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. HUANG Ming (黃明)	3-018 Rits Garden Shunyi District Beijing 101312 PRC	American
Mr. LEE Conway Kong Wai (李港衛)	A9 Europa Garden 48 Kwu Tung Road, Sheung Shui, New Territories Hong Kong	Chinese
Mr. SO Chak Kwong (蘇澤光)	39 Floor, Office Tower, Convention Plaza 1 Harbour Road Wanchai Hong Kong(Note)	Chinese

For further information regarding our Directors, please see the section headed "Directors, Senior Management and Employees".

Note: Business address. The SFC has granted an exemption pursuant to Section 324A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the disclosure of the residential address of Mr. So on the basis that such disclosure would subject Mr. So to a real risk to his privacy and cause unnecessary disturbance to him and his family and would thereby be unduly burdensome and inappropriate. Accordingly, the business address of Mr. So is disclosed in the place of his residential address.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**BOCI Asia Limited** 26/F, Bank of China Tower 1 Garden Road Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Standard Chartered Securities (Hong Kong) Limited 15/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F Cheung Kong Center No. 2 Queen's Road Central Central Hong Kong
	UBS Securities Hong Kong Limited 42/F, One Exchange Square 8 Connaught Place Central Hong Kong
	DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Hong Kong

Joint Global Coordinators

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Morgan Stanley Asia Limited
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CLSA Limited
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UBS AG, Hong Kong Branch
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DBS Asia Capital Limited
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Barclays Bank PLC
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Credit Suisse (Hong Kong) Limited
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J.P. Morgan Securities (Asia Pacific) Limited
28/F Chater House
8 Connaught Road
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Joint Bookrunners and Joint Lead Managers

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Morgan Stanley Asia Limited
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2 King Edward Street
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Guosen Securities (HK) Capital Co., Ltd.
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BOCOM International Securities Limited
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Legal Advisers to the Company

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21st-22nd Floor, Bank of China Tower
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As to PRC Law:

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As to Cayman Islands Law:

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Legal Advisers to the Underwriters	*As to Hong Kong and United States Law:* Cleary Gottlieb Steen & Hamilton (Hong Kong) 37th Floor, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong *As to PRC Law:* Haiwen & Partners 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing China Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing China
Auditor and Reporting Accountants of the Company	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Independent Registered Public Accounting Firm with Respect to Smithfield as of and Since September 27, 2013	Deloitte & Touche LLP Suite 820 901 East Byrd Street Richmond, VA 23219 USA
Independent Registered Public Accounting Firm with Respect to Smithfield for Periods Presented Herein through and including the quarter ended July 28, 2013 (dismissed as auditor on September 27, 2013 following the Merger)	Ernst & Young LLP The Edgeworth Building 2100 East Cary Street, Suite 201 Richmond, VA 23223 USA

Biological Assets Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
Independent Industry Consultant	Frost & Sullivan 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai 201103, China
Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
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	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong
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Registered office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Corporate headquarters	Unit 7602B-7604A Level 76, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Principal place of business in Hong Kong	Unit 7602B-7604A Level 76, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Company's website	**www.wh-group.com** (The contents on this website do not form part of this prospectus)
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Company secretary	Mr. CHAU Ho (周豪) *Solicitor of the High Court of Hong Kong SAR* Unit 7602B-7604A Level 76, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Authorized representatives	Mr. WAN Long (萬隆) No. 3, Building 7 No. 200 Mansion, Lijiang Road Zhaoling District Luohe City Henan Province PRC

	Mr. CHAU Ho (周豪) Unit 7602B-7604A Level 76, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Audit committee	Mr. LEE Conway Kong Wai (李港衛) *(Chairman)* Mr. HUANG Ming (黃明) Mr. SO Chak Kwong (蘇澤光)
Remuneration committee	Mr. HUANG Ming (黃明) *(Chairman)* Mr. LEE Conway Kong Wai (李港衛) Mr. JIAO Shuge (焦樹閣)
Nomination committee	Mr. WAN Long (萬隆) *(Chairman)* Mr. HUANG Ming (黃明) Mr. SO Chak Kwong (蘇澤光)
Cayman Islands share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	**Bank of China Limited (Head Office)** No. 1, Fuxingmennei Street Xichange District Beijing PRC **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), New York Branch** 245 Park Avenue New York, NY 10167 U.S. **Standard Chartered Bank (Hong Kong) Limited** 13th Floor Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

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The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholders, the Joint Sponsors or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor representation is given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of PRC.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the pork industry in a number of countries for the period from 2008 to 2018. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of RMB1,280,000, which we believe reflects market rates. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in the PRC since the 1990s. Its industry coverage in the PRC includes agriculture, chemicals, materials and food, among others.

The Frost & Sullivan Report includes information on the PRC, the U.S. and other markets as well as the pork industry in other market and economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in the global pork industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various offical government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable, and that rising disposable income, increasing consumption of animal protein and other key drivers are likely to drive the pork market during the forecast period.

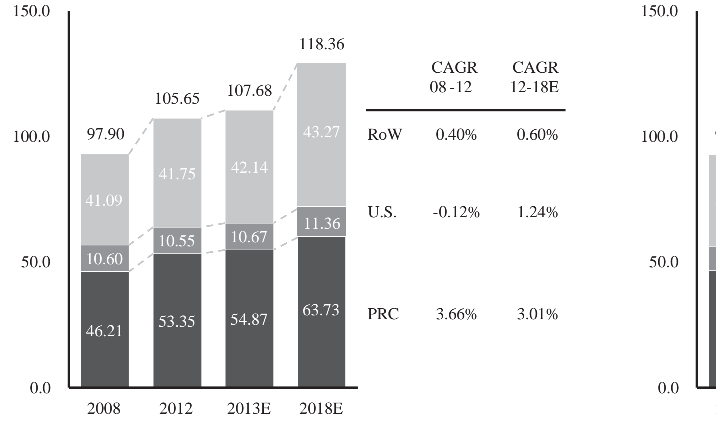
THE GLOBAL PORK INDUSTRY

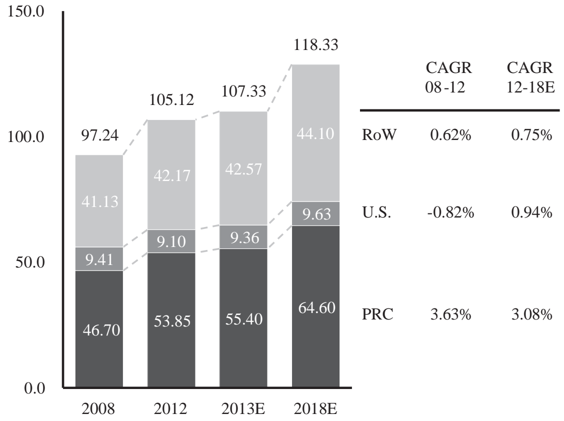
Pork is the world's most widely consumed meat due primarily to its high protein content, nutrient richness and versatility in meal preparation. Global pork production grew at a CAGR of 1.92% from 2008 to 2012, and reached 105.65 million metric tons in 2012. The PRC is the largest producer of pork worldwide, followed by the U.S., Germany, Spain and Brazil. PRC pork production volume increased from 46.21 million metric tons in 2008 to 53.35 million metric tons in 2012, accounting for 50.50% of total global production. The U.S. is the second largest producer of pork worldwide and the largest pork exporter globally, with production volume of 10.55 million metric tons and export volume of 1.81 million metric tons in 2012. Global pork consumption grew at a CAGR of 1.97% from 2008 to 2012 and reached 105.12 million metric tons in 2012. The difference between global production and consumption is mainly attributable to storage. The PRC is the largest pork consumer worldwide, followed by the U.S., Germany, Russia and Brazil. The volume of pork consumption in the PRC has increased from 46.70 million metric tons in 2008 to 53.85 million metric tons in 2012.

In the future, global pork consumption is expected to grow at a CAGR of 1.99% from 2012 to 2018, driven mainly by demand growth in the PRC. During the same period, global pork production is expected to grow at a CAGR of 1.91%. Although the PRC is the largest pork consumption country, its per capita consumption of major animal protein is lower than that of other large pork consumption countries. In 2012, per capita major animal protein consumption in the PRC was 53.91 kg per year, compared to 111.29 kg per year in the U.S. and 79.30 kg per year in the U.K. In 2012, per capita pork consumption in China was 39.77 kg per year, compared to 79.11 kg per year in Hong Kong. According to Frost & Sullivan, pork will continue to be the main animal protein consumed by Chinese consumers.

Pork Production and Consumption by Volume, 2008-2018E

Global Pork Production (Million Metric Tons[1]) *Global Pork Consumption (Million Metric Tons[1])*





Source: U.S. Department of Agriculture (historical), Frost & Sullivan (projection)

Note: [1] Carcass weight equivalent.

The pork industry value chain mainly consists of hog production, fresh pork processing, packaged pork processing, and distribution and sales. Hog production includes breeding, farrowing and finishing. After slaughtering, various types of pork products, including both fresh and packaged pork products, are processed for distribution and sale. WH Group has a substantial presence in each of the key components of the pork industry value chain. WH Group is currently the largest hog producer, the largest fresh pork producer and the largest packaged meat producer in the world.

	Global market share across the industry value chain in 2012			
Ranking	**Hog production[1]**	**Fresh pork[1]**	**Packaged meat[2]**	**Packaged pork[2]**
1	**WH Group (1.47%)**	**WH Group (3.10%)**	**WH Group (2.95%)**	**WH Group (5.78%)**
2	Cargill (0.60%)	Tyson (1.68%)	Tyson (2.17%)	Tyson (1.51%)
3	Wens (0.51%)	JBS S.A. (1.23%)	JBS S.A. (1.92%)	JBS S.A. (1.36%)
4	Triumph (0.33%)	Cargill (0.49%)	Cargill (1.33%)	Cargill (0.87%)
5	Seaboard (0.24%)	Hormel (0.31%)	Hormel (0.97%)	Hormel (0.86%)

Note:

1 Ranked by production volume

2 Ranked by revenue

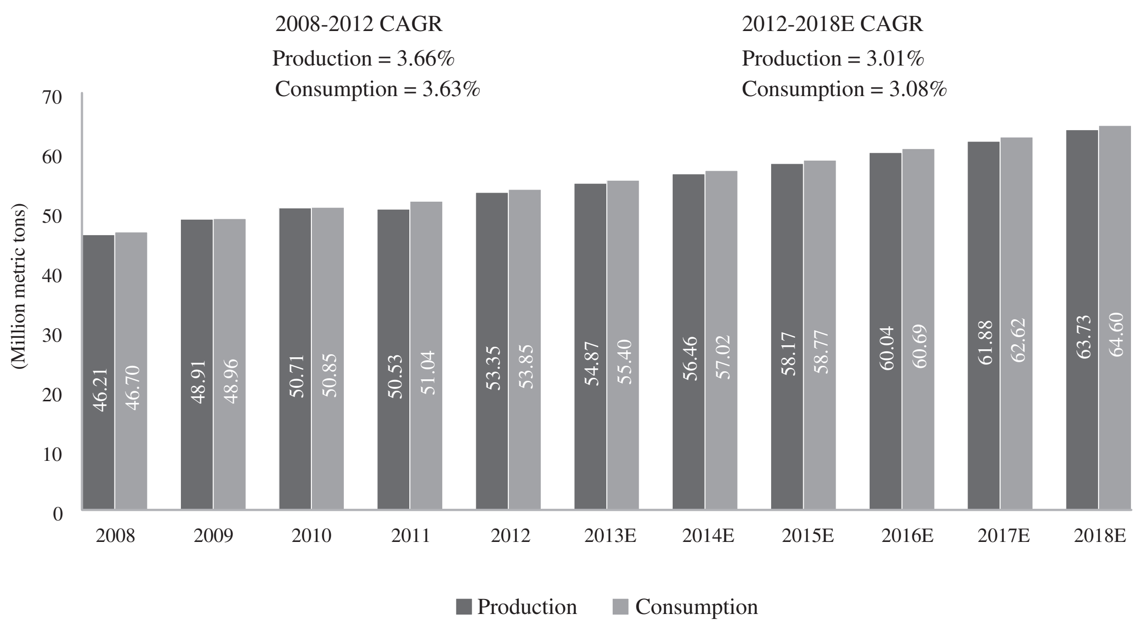
Comparing the pork industry value chain of the PRC with that of the U.S., the level of value chain integration in the U.S. is higher and more industrialized, due to a longer development history and more advanced production techniques. In comparison, the PRC pork industry continues to be fragmented. However, there is an increasing trend in the PRC towards a vertically integrated model as it offers multiple advantages.

Food quality and safety are top priorities in the global packaged food industry, especially in the context of increasing awareness of food quality and safety among consumers. A vertically integrated business model can improve quality control and monitor the changes in the market closely.

THE PRC PORK INDUSTRY

The rapid growth of the PRC pork industry has been driven largely by robust economic growth, continued urbanization and rising disposable income. According to Frost & Sullivan, pork production volume in the PRC increased from 46.21 million metric tons in 2008 to 53.35 million metric tons in 2012, representing a CAGR of 3.66% for the period from 2008 to 2012. PRC pork consumption volume grew at a CAGR of 3.63% from 46.70 million metric tons in 2008 to 53.85 million metric tons in 2012. Although PRC pork production volume has historically grown at a steady rate, a gap has consistently existed between the supply and demand of pork. Pork consumption is expected to grow at a comparatively faster CAGR of 3.08% compared to pork production with a CAGR of 3.01% from 2012 to 2018, leading to a widening supply shortfall. Therefore, it is expected that the volume of PRC pork imports will continue to rise.

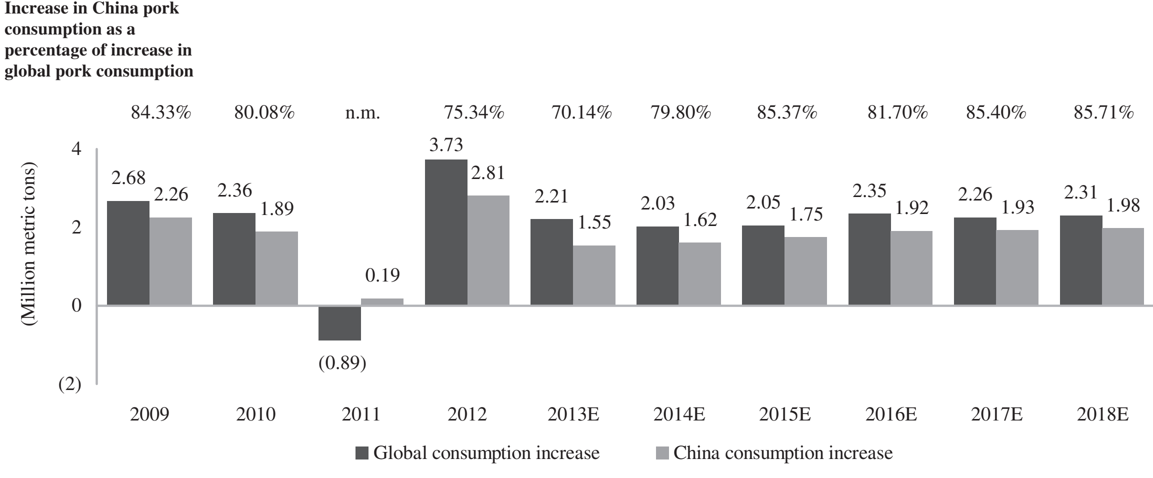
Pork Production and Consumption Volumes (PRC), 2008-2018E



Source: National Bureau of Statistics of China (historical); Frost & Sullivan (projection)

China is expected to be the major contributor to the global pork consumption growth. In 2012, 75.34% of growth in global pork consumption came from China.

Pork Consumption Growth (Global vs China), 2009-2018E



Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

Key Drivers and Trends

The key drivers of the PRC pork industry can be analyzed in terms of demand and supply. The growing demand for fresh pork and packaged pork products is attributable to the rise in disposable income and living standards, continuing urbanization, expansion of middle class, the important role

of animal protein in food consumption, the importance of pork as a source of animal protein and increasing demand for high quality and safe products. As a result of changing consumer behavior and growing demand, producers are experiencing accelerated industry concentration and a trend toward vertical integration.

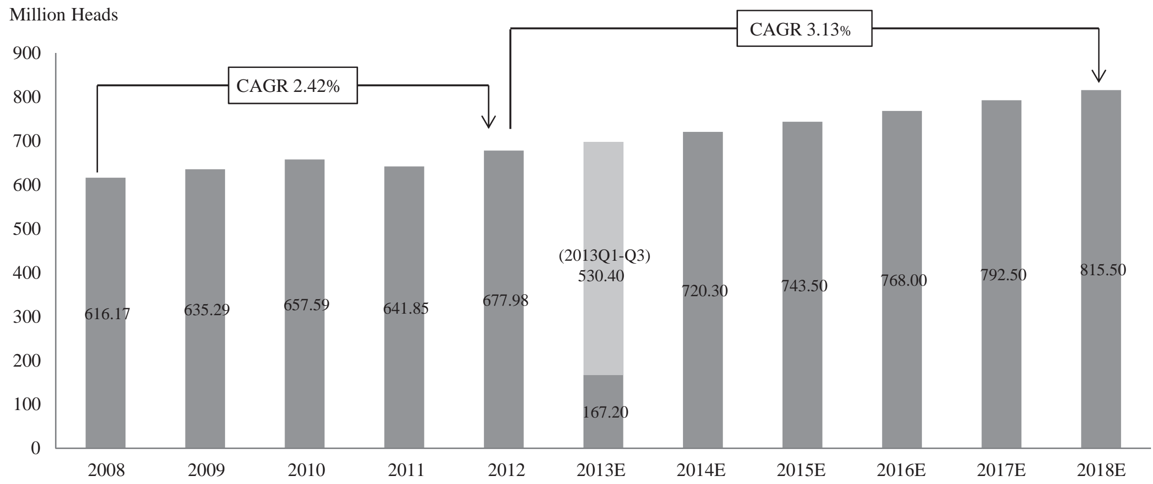
The key drivers of the PRC pork industry have given rise to a number of key trends. In the fresh pork market, chilled fresh pork is expected to become a key product category, driven by its perceived higher quality. In addition, modern retailers in the PRC, such as supermarkets and hypermarkets, are expected to gradually increase in significance in food retail markets, especially in more developed urban areas, as a result of better hygiene and more comfortable environment compared to traditional wet markets. Brand image is playing a more important role in the pork industry, particularly as it relates to the perception of better food safety and higher product quality. The demand for packaged pork products has increased, driven by the improvements in the PRC economy and greater influence of western dietary habits. Consumers are placing greater importance on product safety, nutrition, convenience and diversification, which can be better satisfied by packaged pork products.

Barriers to entry for competitors include substantial investment required in branding, food safety control and production scale, as well as a strong understanding of consumer preferences.

Hog Production

Commercial hog production in the PRC reached approximately 677.98 million heads in 2012 and grew at a CAGR of 2.42% from 2008 to 2012. Commercial hog production per annum is expected to grow at a CAGR of 3.13% from 2012 to 2018, and reach 815.50 million heads in 2018. The relatively low level of hog production in 2011 was due to the outbreak of blue ear disease, which led to a decrease in sow inventory. In light of increasing demand for pork, growth in hog production is projected to continue.

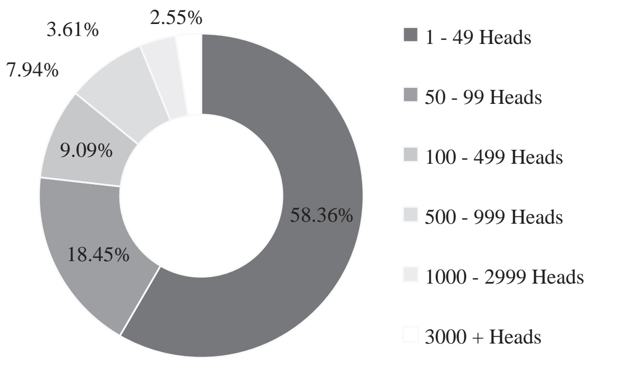
Commercial Hog Production Volume (PRC), 2008-2018E



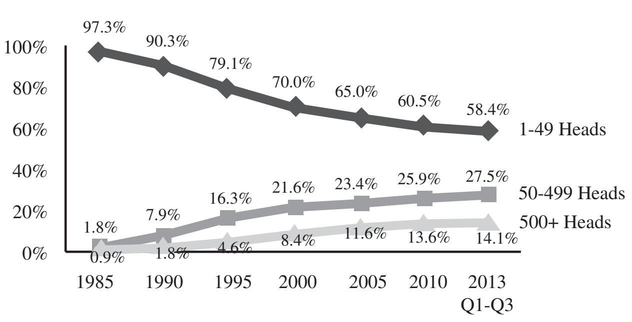
Source: U.S. Department of Agriculture (historical), Frost & Sullivan (projection)

The hog production market is highly fragmented in the PRC, where large-scale farms with an annual output of over 3,000 heads accounted for only 2.55% of total production in the first nine months of 2013. Market consolidation is expected to accelerate, as the PRC government has made food safety and quality a top policy priority and had continued to adopt and enforce more stringent industry standards for hog production. This will benefit technologically advanced and large-scale hog farms.

Output Contribution By Scale of Farms (PRC), 2013 Q1-Q3



Output Contribution By Scale of Farms (PRC), 1985-2013 Q1-Q3

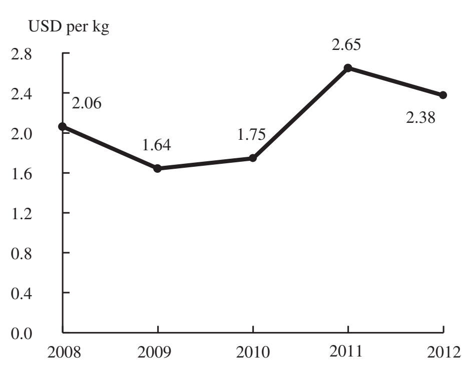


Source: PRC Ministry of Agriculture (historical)

According to Frost & Sullivan, in the first nine months of 2013, the top five hog producers contributed only 1.64% of total hog production in the PRC. Sub-scale, independent farm breeding is still the prevailing business model in the PRC hog production industry. There are three main types of hog producers in the PRC: backyard farms, specialized household farms and commercial farms. The PRC livestock sector is experiencing rapid structural change towards larger-scale and industrialized commercial hog farms due to advantages such as in production efficiency and food safety management.

The average price of hogs in the PRC fluctuated between 2008 and 2012, and reached US$2.38 per kg in 2012. In 2011, hog prices increased to US$2.65 per kg due to a combination of falling sow stocks, higher corn prices and rising wages. Feed accounted for more than 50% of the total hog production cost in general.

Average Hog Price (PRC), 2008-2012



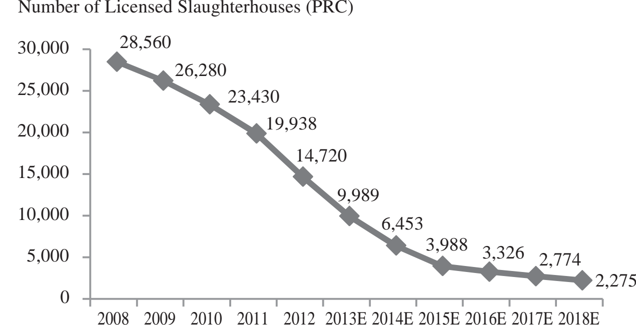
Source: PRC Ministry of Agriculture

Slaughtering and Fresh Pork

The fresh pork segment consists of three main categories, namely warm fresh pork, chilled fresh pork and frozen pork, based on different cooling processes after slaughtering. Due to traditional consumption habits, warm fresh pork products, which are sold primarily in wet markets, account for the majority of the consumption of fresh pork in the PRC. However, as consumers have demanded safer and higher quality pork products, and have shown a stronger preference for shopping in modern retailers, chilled fresh pork consumption has shown rapid growth in recent years, reaching 6.44 million metric tons in 2012, up to 13.70% of total fresh pork consumption from 7.79% in 2008. At the same time, warm fresh pork consumption decreased from 82.17% of the total fresh pork consumption in 2008 to 68.49% in 2012. Similar trends are expected to continue in the future, with chilled fresh pork accounting for a growing proportion of overall fresh pork consumption to reach 32.50% of total fresh pork consumption volume in 2018, according to Frost & Sullivan.

According to the *Outline of Development Plan of the National Hog Slaughter Industry (2010-2015)*, the PRC government has adopted a policy to moderate concentration of the slaughtering industry, focusing on reducing the number of licensed slaughterhouses in order to improve food safety and production efficiency. The number of licensed slaughterhouses has declined as the industry has continued to adjust. According to Frost & Sullivan, it is expected that the number of licensed slaughterhouses will further decrease from 28,560 in 2008 to about 4,000 in 2015.

Decreasing Number of Licensed Slaughterhouses (PRC) 2008 - 2018E

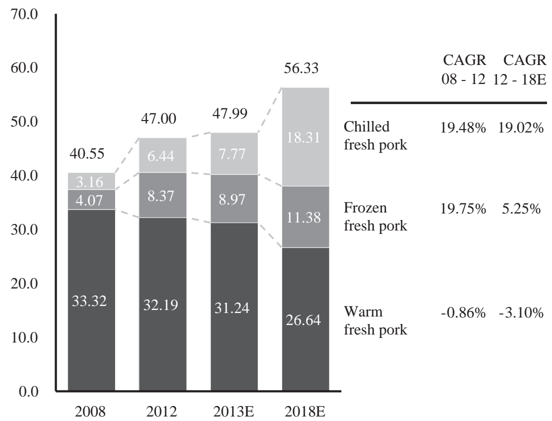


Source: National Bureau of Statistics of China (historical); Frost & Sullivan (projection)

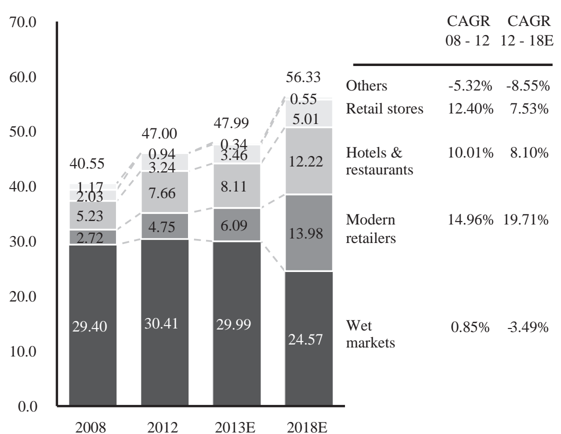
The sales and distribution channels to end-consumers in the fresh pork segment in the PRC include wet markets, modern retailers (supermarkets and hypermarkets), hotels & restaurants, and retail stores (grocery stores and branded chain stores). Wet markets have played a dominant role in the PRC fresh pork market, with annual consumption volume fluctuating at around 30 million metric tons in each year between 2008 and 2012. Sales of fresh pork products by modern retailers exhibited strong growth from 2.72 million metric tons in 2008 to 4.75 million metric tons in 2012. In the future, it is expected that modern retailers will play a more important role in fresh pork distribution, while the role of wet markets will decrease.

Fresh Pork Consumption Volume (PRC), 2008-2018E

PRC Fresh Pork Consumption by Category (Million Metric Tons)



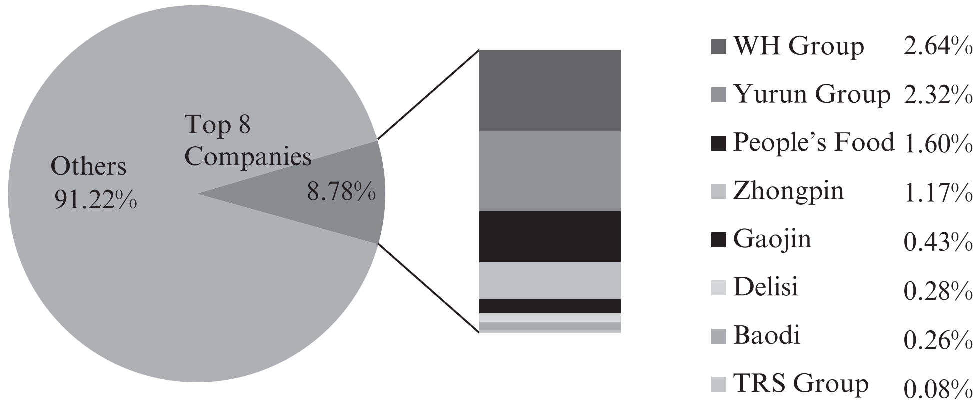
PRC Fresh Pork Consumption by Sales Channel (Million Metric Tons)



Source: Frost & Sullivan

The PRC fresh pork market is highly fragmented, with a large proportion of individual producers. Due to consumers' and regulators' growing scrutiny of food safety, it is expected that the role of individual and small-sized producers will diminish and industry consolidation will continue. WH Group, Yurun Group and People's Food are the top three fresh pork producers in the PRC, with market shares of 2.64%, 2.32% and 1.60%, respectively, in the first nine months of 2013. Given the low market shares of the top PRC fresh pork suppliers and expected market consolidation, the market shares of these leading players are expected to increase in the next few years.

Fresh Pork Production Market Share (PRC), 2013Q1-Q3



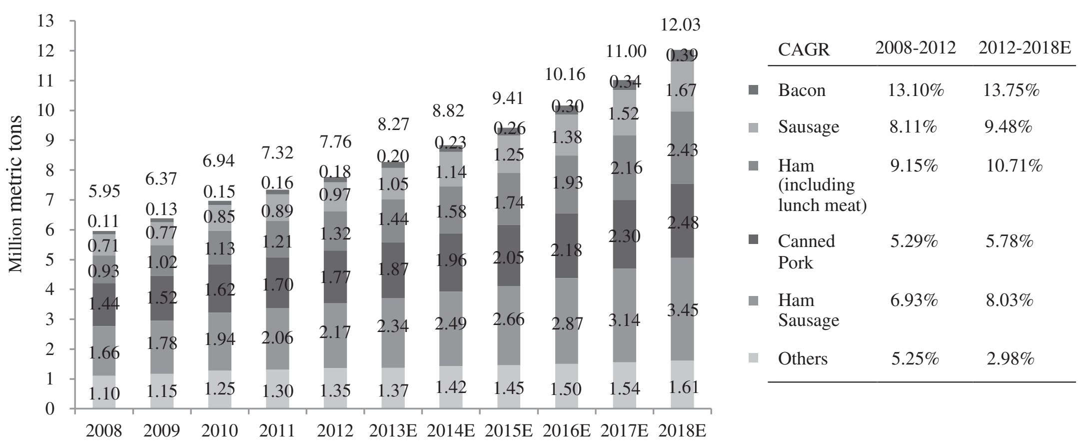
2013 Q1-Q3 Production Volume: 36.04 million metric tons

Source: Frost & Sullivan

Packaged Pork Products

Packaged pork products generally include bacon, sausage, ham (including lunch meat), ham sausage, canned pork and others. The consumption of packaged pork products in the PRC grew at a CAGR of 6.87% from 5.95 million metric tons in 2008 to 7.76 million metric tons in 2012. The consumption of packaged pork is expected to reach 12.03 million metric tons in 2018, representing an even higher CAGR of 7.58% from 2012 to 2018. Given the diversity and convenience of packaged meat, there is still significant growth potential for packaged pork products in the PRC. According to Frost & Sullivan, the total packaged meat consumption in the PRC is expected to grow at a CAGR of 5.85% from 14.00 million metric tons in 2013 to 18.60 million metric tons in 2018.

PRC Packaged Pork Consumption Breakdown by Type, 2008-2018E



Source: National Bureau of Statistics of China (historical); Frost & Sullivan (projection)

As western cultures continue to influence Chinese dietary habits, the consumption of ham, sausage and bacon have experienced steady growth. The consumption of ham, including lunch meat, increased at a CAGR of 9.15% from 0.93 million metric tons in 2008 to 1.32 million metric tons in 2012. The consumption of sausage and bacon products rose to 0.97 million metric tons and 0.18 million metric tons, respectively, in 2012. Driven largely by the change of product portfolio to more western-style products, the consumption of packaged pork products is expected to increase in the next few years. Bacon is expected to represent the product with the fastest rate of growth, with a CAGR of 13.75% from 2012 to 2018.

Ham sausage has continued to account for the highest absolute amount of consumption among packaged pork products. It has shown stable growth over the past few years due to the increasing urbanization and changing consumer behaviors. Ham sausage is favored by Chinese consumers due to its convenience and taste. From 2008 to 2012, the consumption of ham sausages increased from 1.66 million metric tons to 2.17 million metric tons, representing a CAGR of 6.93%, and is expected to reach 3.45 million metric tons in 2018, according to Frost & Sullivan.

The sales channels for packaged pork products in the PRC mainly include modern retailers, retail stores, hotels & restaurants, and others, such as canteens in schools. Among these sales channels, modern retailers are the most prevalent. From 2008 to 2012, sales of packaged pork products by

modern retailers increased steadily from 3.11 million metric tons to 4.24 million metric tons, with a CAGR of 8.06%, and are expected to reach 6.89 million metric tons in 2018. Sales by hotels & restaurants increased from 0.81 million metric tons in 2008 to 1.12 million metric tons in 2012, representing a CAGRs of 8.44%. Sales in retail stores increased from 1.43 million metric tons in 2008 to 1.89 million metric tons in 2012, representing a CAGR of 7.22%. In the coming years, these two channels are also expected to demonstrate strong growth.

Packaged Pork Products Consumption Breakdown by Channels (PRC), 2008-2018E

Million metric tons

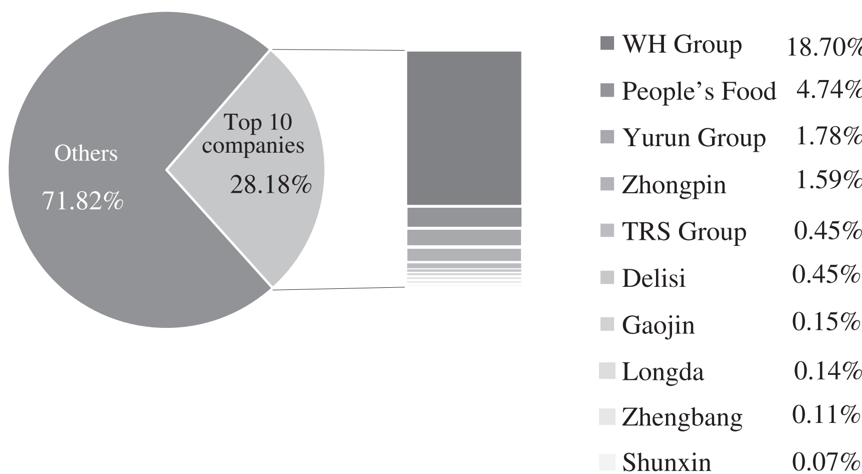
	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E
Hotels & Restaurants	0.81	0.88	0.97	1.04	1.12	1.21	1.31	1.42	1.56	1.72	1.89
Modern retailers	3.11	3.38	3.74	3.96	4.24	4.55	4.91	5.29	5.75	6.27	6.89
Retail Stores	1.43	1.53	1.68	1.79	1.89	2.01	2.13	2.26	2.45	2.65	2.89
Others	0.60	0.58	0.55	0.53	0.51	0.50	0.47	0.44	0.40	0.36	0.36
Total	5.95	6.37	6.94	7.32	7.76	8.27	8.82	9.41	10.16	11.00	12.03

CAGR	2008-2012	2012-2018E
Hotels & Restaurants	8.44%	9.11%
Modern retailers	8.06%	8.43%
Retail Stores	7.22%	7.33%
Others	-3.98%	-5.64%

Source: National Bureau of Statistics of China (historical); Frost & Sullivan (projection)

WH Group is the leading producer of packaged pork products in the PRC. It has a market share of 18.70%, followed by People's Food and Yurun Group with market shares of 4.74% and 1.78%, respectively, in the first nine months of 2013, exceeding the next ten closest competitors combined.

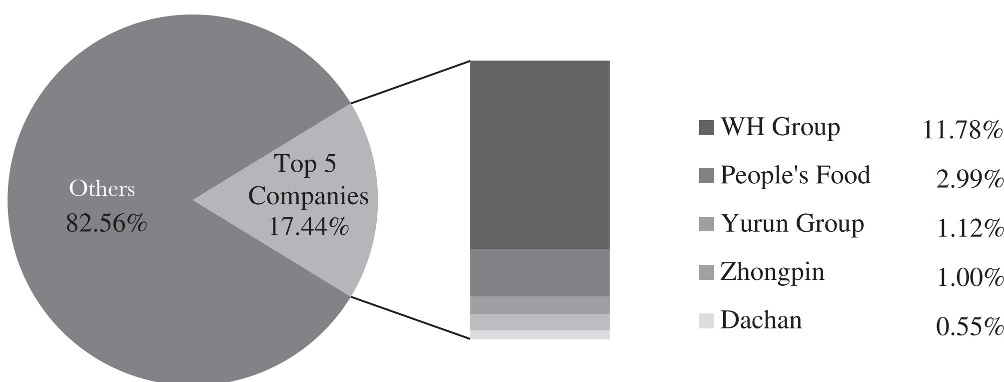
Market Share in Packaged Pork Products Market (PRC), 2013 Q1-Q3



2013 Q1-Q3 revenue: RMB100.14 billion

Source: Frost & Sullivan

Market Share in Packaged Meat Market (PRC), 2013 Q1-Q3



Total Revenue: RMB158.95 billion

Source: Frost & Sullivan

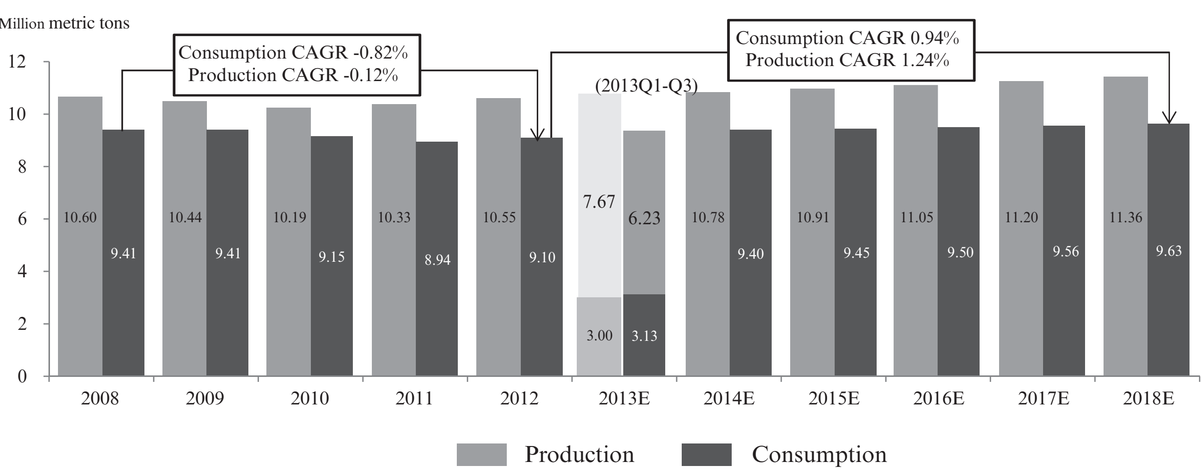
THE U.S. PORK INDUSTRY

The U.S. is the second largest pork producer and the largest pork exporter in the world. Major technological developments in the 1980s and 1990s allowed production to expand significantly. Some producers significantly increased their cost competitiveness and feed effciency by using hogs with superior genetics, allowing for higher reproductive efficiency and enhanced lean muscle growth. In contrast to the PRC pork industry, the U.S. pork industry is relatively mature and concentrated. U.S. pork production volume declined at a CAGR of 0.12% from 2008 to 2012, and pork consumption volume declined at a CAGR of 0.82% during the same period. The difference between production and consumption in the U.S. is mainly attributable to exports.

Market Size and Characteristics

With abundant resources and efficient manufacturing, U.S. pork production remained stable at between 10.19 million metric tons and 10.60 million metric tons from 2008 to 2012, and is expected to grow at a CAGR of 1.24% during the period from 2012 to 2018, according to Frost & Sullivan. Given relatively stable food consumption patterns in the U.S., pork consumption remained relatively stable at between 8.94 million metric tons and 9.41 million metric tons during the period from 2008 to 2012, and is expected to grow at a CAGR of 0.94% for the period from 2012 to 2018.

Pork Production and Consumption by Volume (U.S.), 2008-2018E

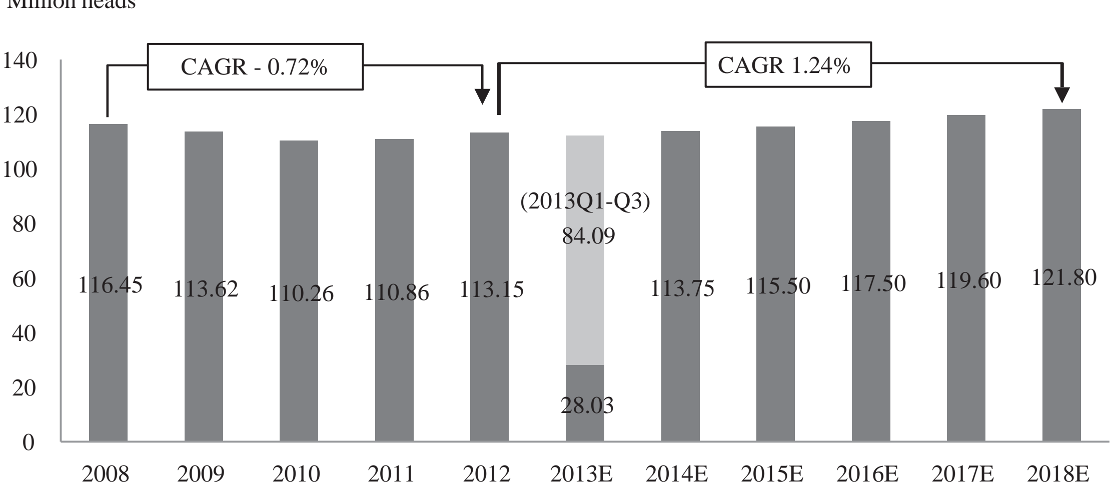


Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

Hog Production

Commercial hog production volume in the U.S. was approximately 113.15 million heads in 2012, and declined at a CAGR of 0.72% from 2008 to 2012. Commercial hog production is expected to grow at a CAGR of 1.24% from 2012 to 2018, reaching 121.80 million heads by 2018. In the foreseeable future, hog production is expected to growth steadily due to strong export demand from Asian markets and efficiency improvements.

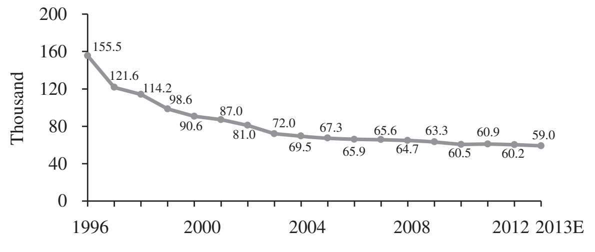
Commercial Hog Production Volume (U.S.), 2008-2018E



Source: U.S. Department of Agriculture (historical), Frost & Sullivan (projection)

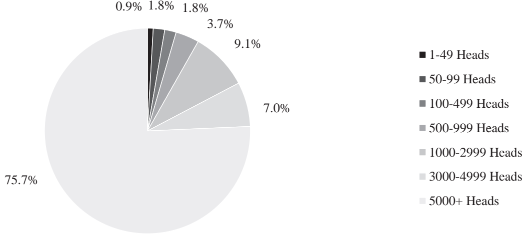
The U.S. hog production market is characterized by large-scale industrialized farms. The total number of hog operators decreased from 155,460 in 1996 to 60,200 in 2012.

Number of Hog Production Operations (U.S.), 1996-2013E



Source: U.S. department of Agriculture (historical), Frost & Sullivan (projection)

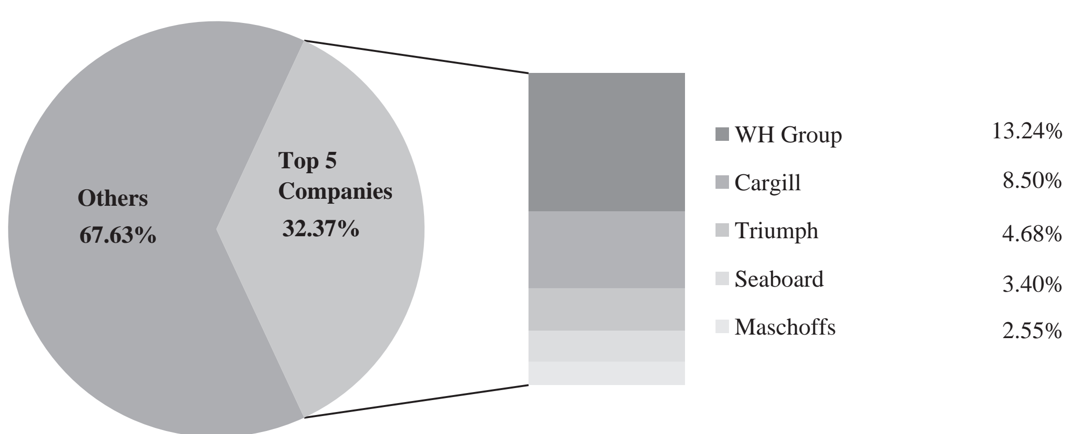
Hog Operations by Size Group and Percentage of Production (U.S.), 2013 Q1-Q3



Source: U.S. Department of Agriculture, Frost & Sullivan

According to Frost & Sullivan, WH Group is the largest hog producer in the U.S., with a market share of 13.24% during the first nine months of 2013, larger than the combined market shares of the next two largest producers.

Total Hog Production Market Share (U.S.), 2013 Q1-Q3

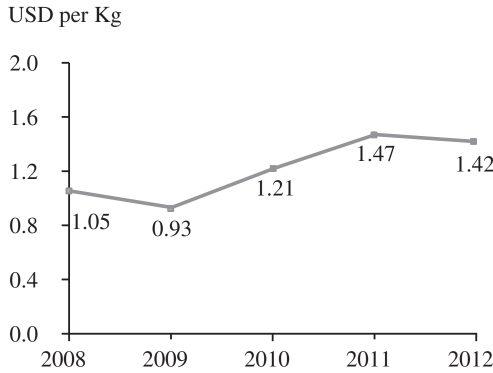


2013 Q1-Q3 Volume: 89.14 million heads

Source: Frost & Sullivan

The price of hogs increased dramatically from 2009 to 2011 due to a substantial increase in feed cost. During this period, prices for corn, the primary feed material for hogs increased from US$0.15 per kg in 2009 to US$0.24 per kg in 2011. According to Frost & Sullivan, in the first nine months of 2013, feed costs accounted for more than 50% of total hog production cost in the U.S.

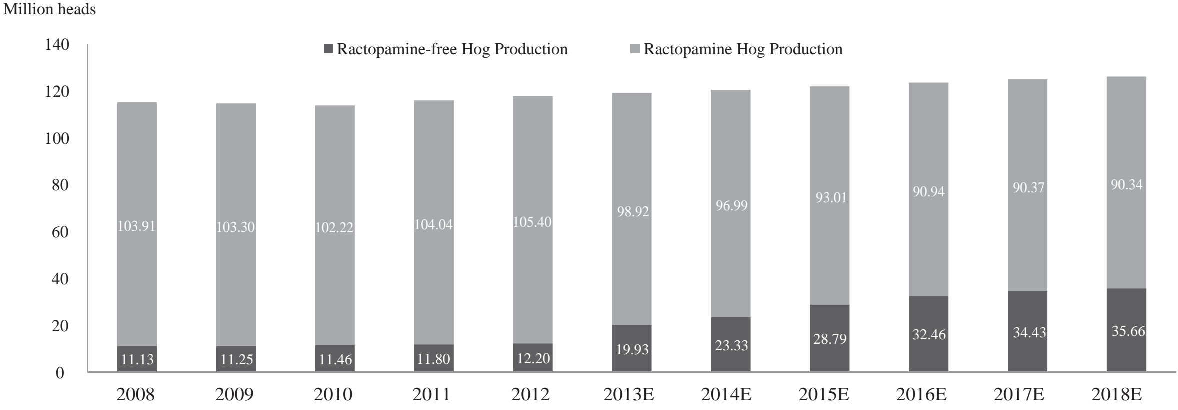
Average Hog Price (U.S.), 2008-2012



Source: U.S. Department of Agriculture

High demand for ractopamine-free pork outside the U.S. has driven ractopamine-free U.S. hog production volumes. In 2008, 90.33% of the hogs produced in the U.S. were fed ractopamine to increase production and reduce costs. However, some pork importing countries, such as the PRC and Russia, have forbidden the use of ractopamine and only import ractopamine-free pork. Aimed at increasing exports to those countries, U.S. hog producers have and are expected to continue to transition to limiting the use of ractopamine in the pork production processes. Frost & Sullivan estimates that by 2018, the production of ractopamine-free hogs will account for 28.30% of overall hog production in the U.S.

Ractopamine-free Hog Production Volume (U.S.), 2008-2018E



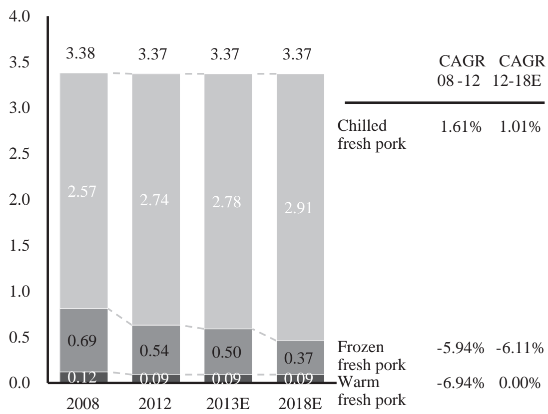
Source: Frost & Sullivan

Slaughtering and Fresh Pork

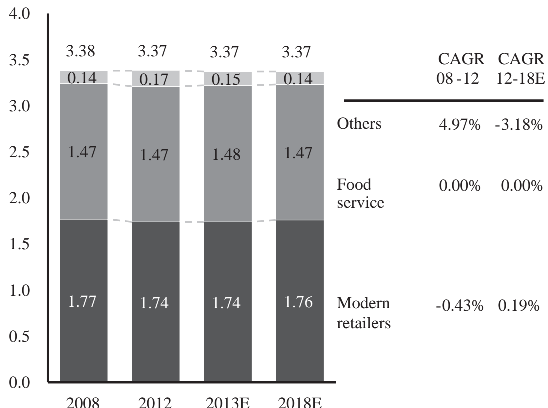
Chilled fresh pork products account for the majority of fresh pork consumption in the U.S., as consumers prefer their freshness and high nutrition. This consumption pattern is expected to remain stable in the future. According to Frost & Sullivan, in the first nine months of 2013, the consumption volumes of chilled, frozen and warm fresh pork accounted for 81.76%, 15.41%, 2.83% of total fresh pork consumption volume, respectively. In 2018, the consumption volume of chilled fresh pork is expected to amount to 2.91 million metric tons.

Fresh Pork Consumption Volume (U.S.), 2008-2018E

U.S. Fresh Pork Consumption by Category (Million Metric Tons)



U.S. Fresh Pork Consumption by Sales Channel (Million Metric Tons)

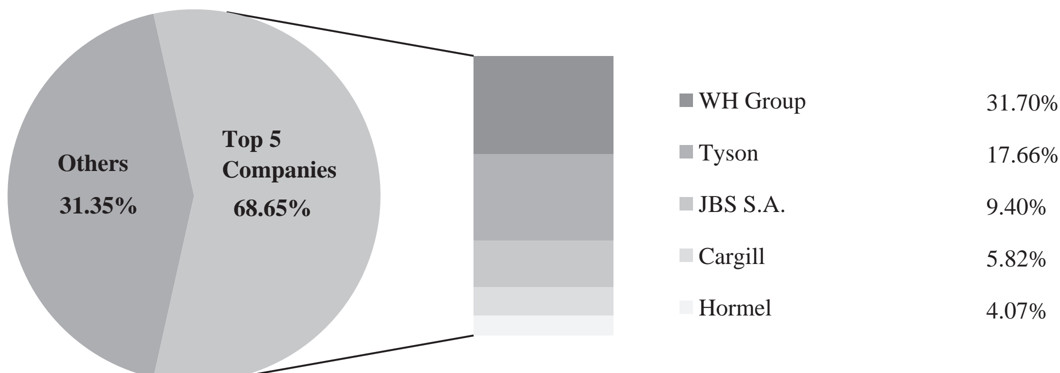


Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

In the U.S., modern retailers and food service are the major sales distribution channels for fresh pork products. In 2012, these two channels accounted for 51.63% and 43.62% of the overall fresh pork consumption volume in the U.S., respectively.

During the first nine months of 2013, WH Group, Tyson and JBS S.A. were the top three fresh pork producers in the U.S., with market shares of 31.70%, 17.66% and 9.40%, respectively. WH Group is the largest fresh pork supplier in the modern retailer, food service and export channels.

Fresh Pork Production Market Share (U.S.), 2013 Q1-Q3



2013 Q1-Q3 Production Volume: 3.51 million metric tons

Source: Frost & Sullivan

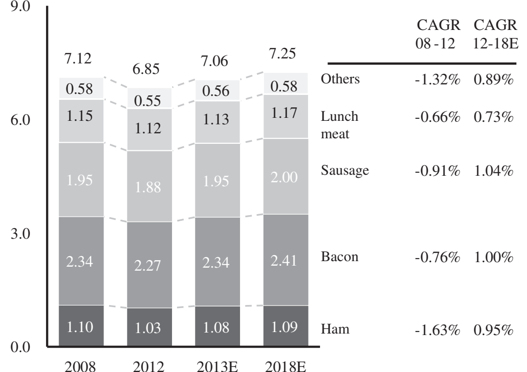
Packaged Pork Products

In the U.S., individual consumption of packaged pork products is divided into several categories, including ham, bacon, sausage, lunch meat and others. Bacon and sausage each accounted for about one third of total packaged pork consumption in the first nine months of 2013.

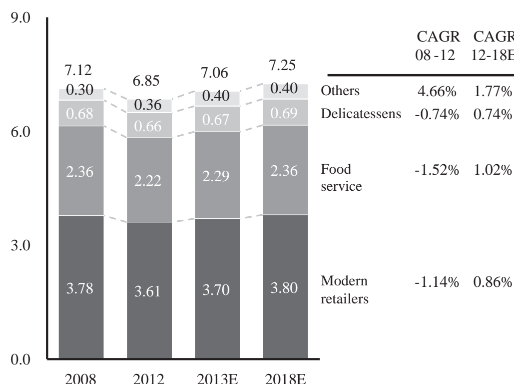
Modern retailers and food service are the major sales channels for packaged pork products in the U.S. In 2012, modern retailers and food service accounted for 52.70% and 32.41% of total volume of packaged pork products consumed in the U.S., respectively.

Packaged Pork Consumption Breakdown by Product Type and Sales Channel (U.S.), 2008-2018E

U.S. packaged pork consumption by category (Million Metric Tons)



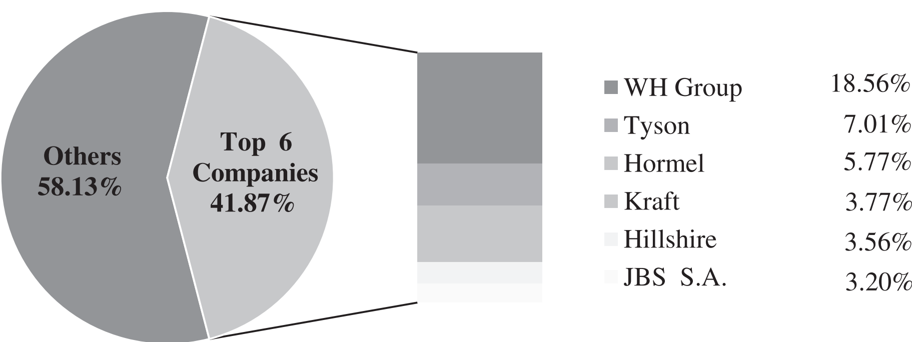
U.S. packaged pork consumption by sales channel (Million Metric Tons)



Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

WH Group is the leading player in the packaged pork market in the U.S., with a market share of 18.56% in the first nine months of 2013. It is the largest vendor in the modern retailer and food service channels, with market shares of 18.76% and 17.38%, respectively. Furthermore, within the modern retailer channel, WH Group is the number one supplier of bacon, ham, sausage and lunch meat with market share of 15.90%, 38.32%, 16.07% and 17.95%, respectively.

Packaged Pork Market Share (U.S.), 2013 Q1-Q3



2013 Q1-Q3 Revenue: USD27.48 billion

Source: Frost & Sullivan

Modern Retailer Channel Ranking	Company	Modern Retailers Channel Market Share	Food Service Channel Ranking	Company	Food Service Channel Market Share
		(by 2013 Q1-Q3 revenue)			(by 2013 Q1-Q3 revenue)
1	WH Group	18.76%	1	WH Group	17.38%
2	Tyson	6.83%	2	Tyson	7.12%
3	Hormel	5.93%	3	Hormel	5.48%

Source: Frost & Sullivan

COMPLEMENTARY NATURE OF THE U.S. AND THE PRC PORK INDUSTRIES

The Supply-Demand Gap

The imbalance between the domestic supply of and demand for pork products in the PRC has created Sino-U.S. pork trading opportunities, driving trading volume between one of the world's largest pork producers and the world's largest pork consumer. According to Frost & Sullivan, the PRC has historically been one of the largest export destinations for U.S. pork products.

Top Five Export Markets for U.S. Pork by volume 2013 Q1-Q3

Rank	Country	Proportion
1	Mexico	26.23%
2	Japan	25.41%
3	Canada	13.11%
4	China	9.84%
5	Republic of Korea	4.92%
Total		79.51%

Top Five Export Markets for the U.S. Pork and Variety Meat by volume 2013 Q1-Q3

Rank	Country	Proportion
1	Mexico	28.43%
2	Japan	20.21%
3	China	16.11%
4	Canada	10.89%
5	Republic of Korea	4.50%
Total		80.14%

Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

The PRC's total pork imports for the first nine months of 2013 amounted to 0.58 million metric tons. As imported pork represents high quality at competitive prices, China's pork imports are expected to increase to 1.06 million metric tons in 2018, representing a CAGR of 6.17% from 2012 to 2018. The top three import origination countries of pork to the PRC are the U.S., Germany and Canada, which respectively accounted for 20.63%, 20.29% and 13.09%, respectively, of total PRC pork import volume in the first nine months of 2013. Including variety meat, total PRC pork import volume reached 1.36 million metric tons in 2012 and is expected to reach 2.01 million metric tons in 2018 with a CAGR of 6.73% from 2012 to 2018.

Top Five Import Origination Countries of pork to the PRC by volume 2013 Q1-Q3

Rank	Country	Proportion
1	U.S.	20.63%
2	Germany	20.29%
3	Canada	13.09%
4	Spain	11.53%
5	Denmark	10.42%
Total		75.96%

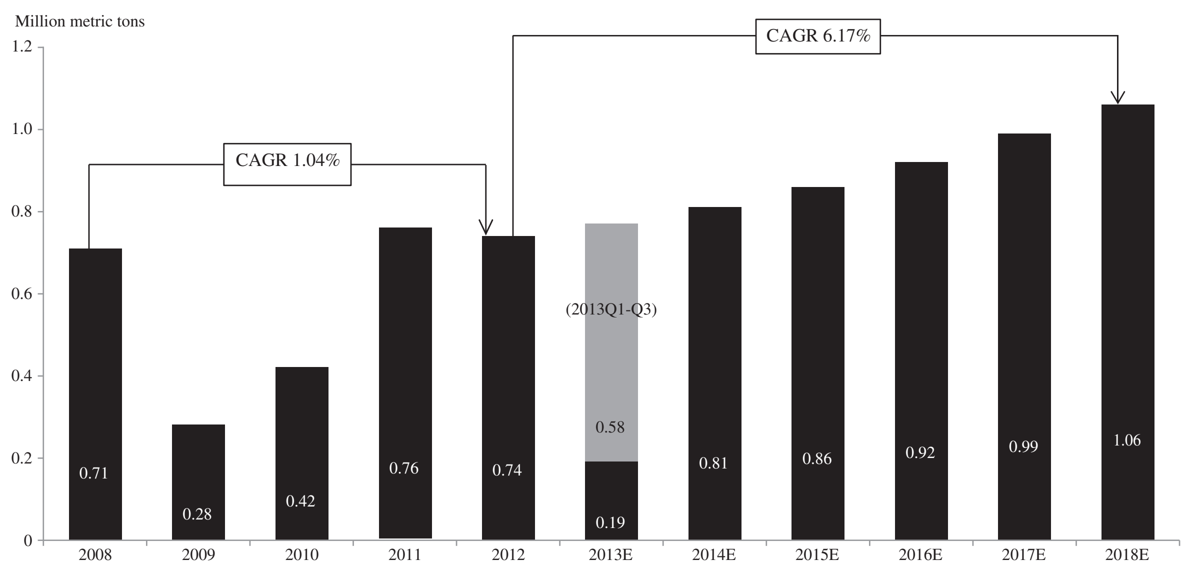
Top Five Origination Countries of Pork and Variety Meat Import to the PRC by volume 2013 Q1-Q3

Rank	Country	Proportion
1	U.S.	24.87%
2	Germany	17.83%
3	Denmark	17.04%
4	Spain	10.63%
5	Canada	10.04%
Total		80.41%

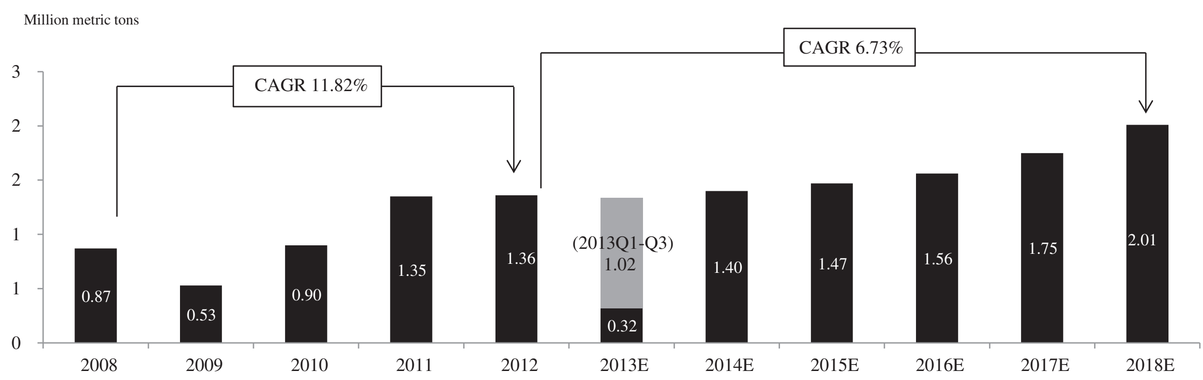
Source: U.S. Department of Agriculture; Department of Foreign Trade of Ministry of Commerce of the PRC

The widening supply and demand gap for pork in China coupled with the low cost structure of U.S. producers will further drive imports into China going forward. According to Frost & Sullivan, total PRC pork and variety meat import volume from the U.S. is expected to reach 1.01 million metric tons in 2018 with a CAGR of 19.01% from 2012 to 2018.

Pork Imports by Volume (PRC), 2008-2018E

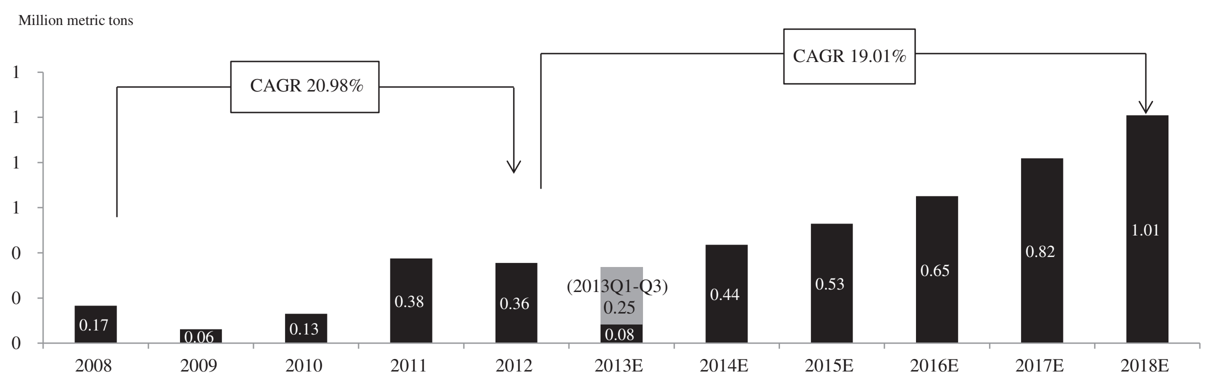


Pork Plus Variety Meat Imports by Volume (PRC), 2008-2018E



Source: U.S. Department of Agriculuture; Department of Foreign Trade of Ministry of Commerce of the People's Republic of China (historical); Frost & Sullivan (projection)

PRC Pork Plus Variety Meat Import Volume from the U.S., 2008-2018E



The U.S. and PRC as Complementary Markets

Hog Production Efficiency

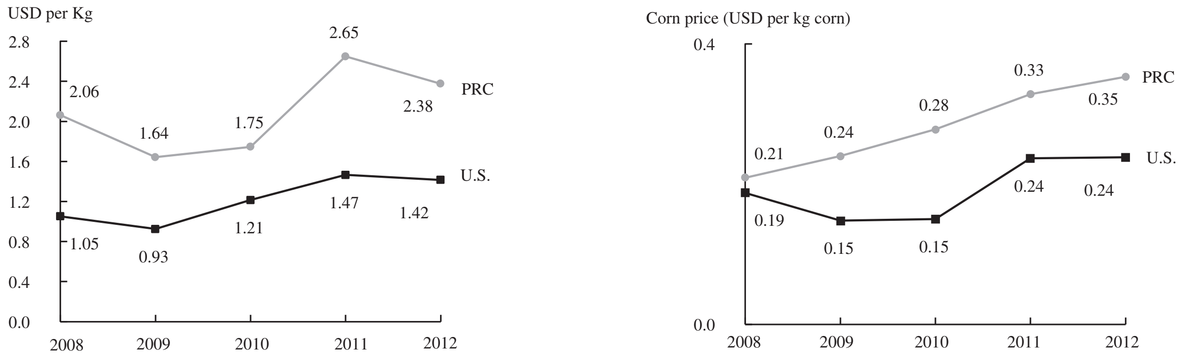
The U.S. hog production industry is more concentrated compared to the industry in the PRC. It is dominated by large-scale hog producers, as producers with annual production of 3,000 heads or above accounted for 82.70% of total hog production in the U.S. in the nine months ended September 30, 2013. In comparison, in the PRC, hog farms of the same scale only accounted for 2.55% of total hog production. Generally, large-scale farms can have certain competitive advantages compared to small-scale or individual farmers, including technology, expertise, production capacity and quality control. Therefore, large-scale hog farms are better positioned to provide reliable and high quality hogs at lower cost.

The U.S. hog production industry enjoys advanced hog raising technology, charaterized in part by high litter rates. The advanced technology, together with large scale production and the lower cost of production in the U.S. make it cost-effective for PRC pork processors to source pork products from U.S. hog producers and pork suppliers.

Significant Price Difference in Live Hog Production Cost and Prices

Over the period from 2010 to 2012, the average hog price in the PRC was 1.65 times of that in the U.S., which is largely attributed to lower production costs in the U.S. In fact, hog prices in the U.S. are among the lowest in the world.

Average Hog Price and Corn Price Comparison (PRC and U.S.), 2008-2012



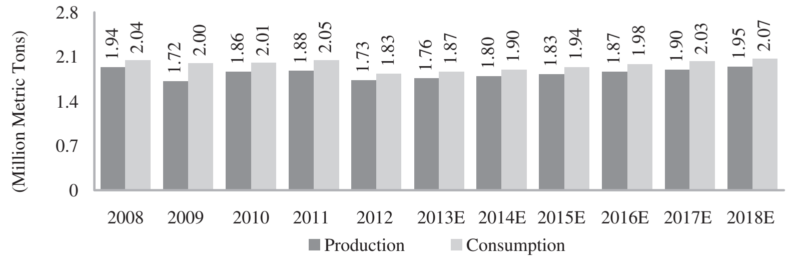
Source: U.S. Department of Agriculture, PRC Ministry of Agriculture, Frost & Sullivan

Feed is the largest component of hog production cost. Corn is the most common grain in feed, and it is, consequently, the largest determinant of hog production cost. Over the period from 2010 to 2012, the average corn price in the PRC was 1.52 times of that in the U.S. In the future, there will continue to be significant price differences between the domestic corn prices in the U.S. and the PRC, according to Frost & Sullivan.

THE PORK INDUSTRY IN POLAND, ROMANIA AND MEXICO

In 2008, total pork production volume in Poland reached 1.94 million metric tons. Total production volume gradually decreased to 1.73 million metric tons in 2012. WH Group is the largest pork producer in Poland, with a market share of 10.1% in 2012. Pork consumption in 2012 is 1.83 million metric tons, and is expected to grow at a CACR of 2.08% to 2.07 million metric tons in 2018.

Pork Production and Consumption Volume in Poland, 2008-2018E



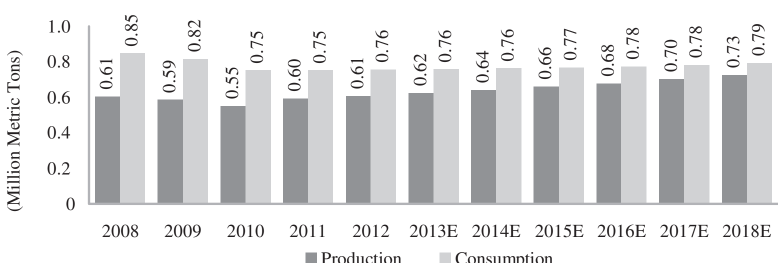
Market Share of Production Volume

Rank	Company	Market Share
1	WH Group	10.1%
2	Sokolow	7.3%
3	Pini Polonia	5.4%
4	Pkmduda	4.4%
5	ZPM JBB Import-Export	1.8%

Source: Central Statistical Office of Poland (historical); Frost & Sullivan (forecast)

In 2012, the pork production and consumption volumes in Romania were 0.61 million metric tons and 0.76 million metric tons, respectively. WH Group was the largest pork producer in Romania with a market share of 30.2% in 2012, exceeding the aggregate market share of the next two largest producers in 2012. Pork production in Romania is expected to increase at a CAGR of 3.04%, and pork consumption is expected to increase at a CAGR of 0.65% from 2012 to 2018.

Pork Production and Consumption Volume in Romania, 2008-2018E



Market Share of Production Volume

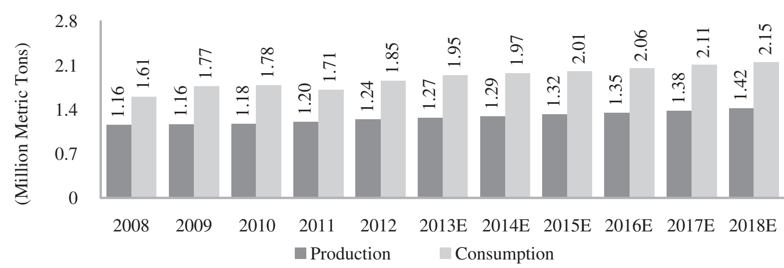
Market share

Rank	Company	Market Share
1	WH Group	30.2%
2	Aldis	14.3%
3	Cristim	11.4%
4	Caroli Foods Group	11.3%
5	Candia	7.2%

Source: Romania Ministry of Agriculture and Rural Development (historical); Frost & Sullivan (forecast)

In 2012, the pork production volume in Mexico reached 1.24 million metric tons, and is expected to reach 1.42 million metric tons in 2018 with a CAGR of 2.28% from 2012 to 2018. In 2012, the pork consumption volume was 1.85 million metric tons. In the future, the consumption volume is expected to increase at a CAGR of 2.54% from 2012 to 2018 to reach 2.15 million metric tons in 2018.

Pork Production and Consumption Volume in Mexico, 2008-2018E



Top Producers by Volume

Rank	Company	Market Share
1	Grupo Porcicola Mexicano (Keken)	10.2%
2	Grupo Kowi SA de CV	8.1%
3	Norson & Granjas Carrol de Mexico (Affiliates of WH Group)	7.9%
4	Sonora Agropecuaria	6.4%
5	Grupo Bafar	5.1%

Source: U.S. Department of Agriculture (historical); Frost & Sullivan (forecast)

REGULATORY OVERVIEW

We are subject to a wide range of governmental regulations in the jurisdictions in which we operate including the PRC, U.S. and Europe. Set out below is a summary of the types of regulations that have the most significant impact on our operations.

LAWS AND REGULATIONS MATERIAL TO OUR PRC OPERATIONS

Laws and Regulations Relating to Hog Production and Slaughtering

Breeding Farm or Small-Scale Breeding Plot

According to the Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》) which was promulgated by the Standing Committee of the National People's Congress (the "**Standing Committee**") on December 29, 2005 and became effective on July 1, 2006, and Administrative Measures for Labeling the Livestock and Poultry and Breeding Files (《畜禽標識和養殖檔案管理辦法》), which were issued by Ministry of Agriculture (農業部) (the "**MOA**") on June 26, 2006 and became effective on July 1, 2006, livestock and poultry breeding farms and small-scale breeding plots are required to, among other things:

(1) have production premises and supporting facilities commensurate with their scales of breeding;

(2) have animal husbandry and veterinary technicians in their service;

(3) meet the epidemic prevention conditions, as provided for by laws and administrative regulations and prescribed by the administrative department for animal husbandry and veterinary medicine under the State Council;

(4) have facilities such as methane-generating pits for the comprehensive use of, or other facilities for innocuous treatment of, the feces of livestock and poultry, waste water and other solid wastes; and

(5) meet other conditions provided for by laws and administrative regulations.

The founder of a breeding farm or small-scale breeding plot is required to obtain the livestock and poultry labels and codes.

Animal Epidemic Prevention Requirement

According to the Animal Epidemic Prevention Law of the PRC (《中華人民共和國動物防疫法》), which were promulgated by the Standing Committee on July 3, 1997, amended on August 30, 2007 and June 29, 2013, and became effective on January 1, 2008, and Censoring Measures on Conditions for Animal Epidemic Prevention (《動物防疫條件審查辦法》), building an animal breeding farm (small breeding plot) or isolation place, animal slaughtering and processing house, or a place where animals and animal products are given innocuous treatment requires the Certificate of Conformity to the

Conditions for Animal Epidemic Prevention (《動物防疫條件合格證》) from the administrative department for veterinary medicine. Before slaughtering, selling or transporting animals, or selling or transporting animal products, the owner shall submit an application to the local animal health supervision institution for quarantine. Quarantine Certificates will be issued for and quarantine marks will be attached on the animals and animal products that have passed the quarantine. Measures for the Administration of Animal Quarantine (《動物檢疫管理辦法》), which were promulgated by the MOA on January 21, 2010 and became effective on March 1, 2010, further provide that an examination must be conducted by local authorities on animal-related products, and an Animal Quarantine Certificate (《動物檢疫合格證明》) must be obtained before distributing such products.

Veterinary Drugs Supervision

According to Regulations on Administration of Veterinary Drugs (《獸藥管理條例》) , which were promulgated by the State Council on April 9, 2004 and became effective on November 1, 2004, it is prohibited to add in animal feedstuffs or drinking water any hormonal drug or other prohibited drugs specified by the administrative department for veterinary medicine under the State Council, administer human medicine to animals, or to sell animal food products that contain illicit drugs or in which the residual amount of veterinary drugs exceeds the limits. The drugs prohibited to be added in animal feedstuffs or drinking water are listed in detail in the List of Drugs Forbidden to be Used in Feeds or Drinking Water of Animals (《關於禁止在飼料和動物飲用水中使用的藥物品種目錄》) co-promulgated by the MOA, the Ministry of Health, and the State Food and Drug Administration (formerly known as "State Drug Administration") on March 21, 2002.

Hog Slaughtering Requirement

According to Regulations on Administration of Hog Slaughtering (《生豬屠宰管理條例》), which were promulgated, amended by the State Council on December 19, 1997 and December 19, 2007, respectively, and became effective on August 1, 2008, and Implementing Measures for Regulations on Administration of Hog Slaughtering (《生豬屠宰管理條例實施辦法》), the PRC government implements a system that requires hogs to be slaughtered by designated hog slaughtering plants (houses) and quarantined in a centralized manner. The governments of prefecture-level cities are responsible for issuing the permits and signboards of designated hog slaughtering plants (houses) to the designated plants. A designated hog slaughtering plant (house) is required to:

(1) have a source of water supply that is commensurate with the operation scale of the slaughter and meet the standards for water quality set by the national government authorities;

(2) have stand-by slaughter rooms, slaughter rooms, emergency slaughter rooms, hog slaughter equipment and means of transportation which conform to the requirements prescribed by the national government authorities;

(3) have the technical staff for hog slaughter who have obtained health certificates;

(4) have qualified meat product quality inspectors;

(5) have inspection equipment and sterilization facilities that conform to the requirements prescribed by the government, and the facilities for pollution prevention and control that conform to the environmental protection requirements ;

(6) have the facilities for innocuous disposal of diseased hogs and hog products derived therefrom; and

(7) obtain a qualification certificate of animal epidemic prevention.

A designated hog slaughtering plant (house) is required to establish a stringent inspection system controlling meat product quality. Inspection of meat product quality must be carried out simultaneously with hog slaughtering, and the inspection results must be recorded truthfully. The records of inspection results must be retained for at least two years. Hog products of a designated hog slaughtering plant (house) shall not leave the plant (house) before they have undergone the inspection process or if they fail such inspection.

Under the above-mentioned laws and regulations, livestock and poultry labels and codes for breeding farms for livestock and poultry and permits and signboards for designated hog slaughtering plants (houses) for hog slaughtering plants (houses) as well as a Certificate of Conformity to the Conditions for Animal Epidemic Prevention are required. Operators are also required to abide by the relevant requirements with respect to the operation of breeding farms and designated hog slaughtering plants. Violation of these requirements or failure to obtain relevant permits would lead to a series of penalties, including confiscation of the products, instruments and earnings, imposition of fines, revocation of the permits, and/or even criminal liabilities.

Laws and Regulations Relating to Feedstuffs Production

Under the Regulations on Administration of Feedstuffs and Feed Additives (《飼料和飼料添加劑管理條例》), which were promulgated by the State Council on May 29, 1999, amended on November 29, 2011, and became effective on May 1, 2012, and the Administrative Measures for Production Licensing of Feedstuffs and Feed Additives (《飼料和飼料添加劑生產許可管理辦法》), which were issued by the MOA on May 2, 2012 and became effective on July 1, 2012, feedstuff production enterprises must comply with feedstuff industry development plans and industrial policies and meet the following conditions:

(1) have plant buildings, equipment and warehousing facilities accommodating the feed and feed additive production;

(2) have full-time technical staff to accommodate the feed and feed additive production;

(3) have necessary product quality testing bodies, staff and facilities and quality control systems;

(4) have production conditions that meet safety and health requirements stipulated by the government;

(5) have in place pollution prevention and control measures that meet the national environmental protection requirements; and

(6) other conditions specified in the administration standards for feedstuffs and feed additives quality safety formulated by the competent administrative department of agriculture under the State Council.

Enterprises are required to obtain a production license before operating a feedstuff production business. In addition, enterprises are required to maintain the requisite conditions to produce feedstuff and follow relevant rules relating to feedstuff production. Violation of these rules or failing to obtain production license could lead to a range of penalties, including confiscation of the products, instruments and earnings, imposition of fines or even revocation of the production licenses.

Laws and Regulations Relating to the Food Industry in General

Food Safety in General

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**Food Safety Law**"), which was promulgated by the Standing Committee on February 28, 2009 and became effective on June 1, 2009, and the Implementing Regulations for the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), which were promulgated by the State Council on July 20, 2009 and became effective on the same day, the quality supervision authorities and the industry and commerce administration authorities under the State Council are responsible for supervising and administering food production and distribution, respectively. The public health authority under the State Council is responsible for the formulation and publication of national food-safety standards. The Food Safety Law and its implementation regulations require:

(1) food producers and distributors to apply for the food production licenses and food distribution licenses, respectively, provided that a food producer who has obtained a food production licenses does not need to obtain a food distribution license for selling the food produced by it at its production facilities;

(2) food production and operation to comply with food-safety standards and certain other requirements. Food producers shall not purchase or use raw food materials, food additives or food related products which do not meet food-safety standards;

(3) each food producer or trader to establish and implement a personnel health management system. Each worker who engages in food production or trading worker is required to take a physical examination each year and obtain health certificate prior to working;

(4) food producers to check the licenses and food eligibility certification documents of their suppliers before purchasing raw food materials, food additives and food-related products from them. Each food production enterprise shall establish a procurement check record system and a food ex-factory check record system and ensure the records are authentic and retained for at least two years; and

(5) the packages of pre-packed food to bear labels. The labels shall state matters including the name, specifications, net content, date of production, list of ingredients or components, producer's name, address and contact information, shelf life, product standard code, storage conditions, the general name of the food additives used in the national standards, category number of the food production license, and other content acquired by laws, regulations or food safety standards.

The PRC has established a food recall system. When a food producer finds that the food produced by it does not comply with food safety standards, it shall immediately stop production, recall the food on the market, notify the relevant producers, traders and consumers, and record the recall and notification. When a food trader finds that the food traded by it does not comply with food safety standards, it shall immediately stop trading such food, notify the relevant producers, traders and consumers, and record the cessation of trading and the notification. The food producers shall take measures to safely recall and destroy the affected food, and report the recall and treatment of the recalled food to the quality supervision authority at or above the county level. Where the food producers or traders fail to recall or stop producing or trading the food which are not in compliance with food safety standards under Article 53 of the Food Safety Law, the quality supervision, administration for industry and commerce, food and drug supervision and administration authorities at or above the county level shall order them to recall or stop production or trading.

In the event of any breach of the Food Safety Law, relevant authorities may confiscate any illegal gains and food products, issue warnings and impose rectification orders and monetary penalties ranging from two to ten times the value of the illegal products, as well as revoke the food safety certificate and impose criminal liability in severe cases.

Food Production License

In accordance with Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》), which were issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) (the "**GAQSIQ**") on April 7, 2010 and became effective on June 1, 2010, no enterprise shall engage in food production activities without a Food Production License or engage in any food production activities outside the scope set forth in the Food Production License, and no foods can be sold without bearing the serial number or mark of the Food Production License.

The Implemental Rules on the Supervision and Administration of the Quality Safety of Food Production and Processing Enterprises (Provisional) (《食品生產加工企業品質安全監督管理實施細則(試行)》), which were issued by the GAQSIQ on September 1, 2005 and became effective on the same day, adopts a market admittance system relating to food quality and safety. Enterprises that produce or process food shall maintain necessary production conditions to guarantee the food quality and safety, and obtain the Production Licenses for Industrial Products in accordance with relevant procedures. No food products may be distributed into the market without passing the inspection and being stamped with the market admittance symbols.

According to the Regulations on the Administration of Production Licenses for Industrial Products of the PRC (《中華人民共和國工業產品生產管理條例》), which were promulgated by the State Council on July 9, 2005 and became effective on September 1, 2005, and the Implementing Measures for Regulations on the Administration of Production Licenses for Industrial Products of the PRC (《中華人民共和國工業產品生產管理條例實施辦法》), which were issued by the GAQSIQ on September 15, 2005, became effective on November 1, 2005 and were amended on April 21, 2010, the PRC implements a production license system in respect of the manufacturing of important industrial products, including meat, beverage, rice, wine and other food directly affecting human health.

Food Distribution Permits

According to the Measures for the Supervision and Administration of Food Safety in the Distribution Sector (《流通環節食品安全監督管理辦法》) and the Administrative Measures for Food Distribution Permits (《食品流通管理辦法》) both issued by State Administration for Industry and Commerce (the "SAIC"), the administrative authority for industry and commerce is responsible for supervising and administering food safety in the distribution sector. Operators that engage in the food distribution business are required to acquire Food Distribution Permits before applying for business licenses. A Food Distribution Permit is valid for three years and may be renewed by filing an application within 30 days prior to the expiration date.

Under the above-mentioned laws and regulations relating to food production and food distribution, a Food Production License is required for operating a food production business and a Food Distribution Permit is required for operating a food distribution business. In addition, the laws and regulations require that operations comply with various requirements relating to food safety. Non-compliance may lead to a series of penalties, including warnings, monetary penalties, confiscation of illegal gains, revocation of the certificates, and/or even criminal liabilities.

Laws and Regulations Relating to Product Quality

The Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品品質法》), which was promulgated on February 22, 1993, became effective on September 1, 1993, and was subsequently amended on July 8, 2000, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of the persons and property, the relevant authority will order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

The Agricultural Products Safety Law of the PRC

According to the Agricultural Products Quality Safety Law of the PRC (《中華人民共和國農產品品質安全法》), which was promulgated by the State Council on April 29, 2006 and became effective on November 1, 2006, producers of agricultural products shall use chemical products reasonably and avoid contaminating agricultural production sites. Agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of the packaging, preservation, storage and transportation of agricultural products shall conform with the relevant mandatory technical specifications set by the State.

Product Liabilities

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987, and the Law on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, became effective on January 1, 1994 and was amended on August 27, 1999 and October 25, 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Under the above-mentioned laws and regulations, we are required to ensure that products which we produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities. In addition, if the products cause personal injuries or other form of torts, the manufacturers and distributors of the products may be subject to tort liability.

Laws and Regulations Relating to Import and Export

Foreign Trade Registration

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which were promulgated on May 12, 1994 by the Standing Committee, amended on April 6, 2004 and became effective on July 1, 2004, enterprises that engage in foreign trade are required to register with competent department of foreign trade under the State Council or its authorized institution. Customs will refuse to handle the formalities for declaration and clearance of goods imported or exported by a foreign trade operator that fails to complete the record-filing registration formalities.

Custom Registration

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (《中華人民共和國海關對報關單位註冊登記管理規定》), which were promulgated by the General Administration of Customs on March 31, 2005 and came into effect from June 1, 2005, entities or individuals who import or export goods are required to complete the registration formalities with Customs authorities before they may handle their own declarations.

Compulsory Inspection

Pursuant to the Law on Import and Export Commodity Inspection of the PRC (《中華人民共和國進出口商品檢驗法》), which became effective on October 1, 2002 and was last amended on June 29, 2013, and the Regulations on Implementation of the Law on Import and Export Commodity Inspection of the PRC (《中華人民共和國進出口商品檢驗法實施條例》), which were promulgated by the State Council on August 31, 2005 and became effective on December 1, 2005, the GAQSIQ is responsible for issuing the catalogue of import and export commodities that are subject to compulsory inspection. According to this Catalogue, import and export of hogs and pork are subject to compulsory inspection.

Export License

According to the Regulations on the Administration over Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) ("**Import and Export Administration Regulations**"), which were promulgated by the State Council on December 10, 2001 and became effective on January 1, 2002, and the Measures for the Administration of Export License of Goods (《貨物出口管理辦法》), which were issued by the Ministry of Commerce (商務部) (the "**MOFCOM**") on June 7, 2008 and became effective on July 1, 2008, the PRC adopts a uniform export license system and enforces export license administration on goods that are subject to export restrictions. According to the Catalogue of Goods Subject to Export License Administration for the Year 2014 (《2014年出口管理貨物目錄》) issued by the MOFCOM and the General Administration of Customs, hogs, chilled pork and frozen pork are subject to such licensing requirements.

Import License

According to the Import and Export Administration Regulations and Measures for the Administration of Automatic Import Licensing for Goods (《貨物自動進口許可管理辦法》), which were promulgated by the MOFCOM and General Administration of Customs on November 10, 2004 and became effective on January 1, 2005, to import goods which are subject to automatic import licensing requirements, the consignee (including importers and imported goods users) shall submit the application for an Automatic Import License with the local or corresponding license issuing authority and obtain an Automatic Import License before going through customs declaration formalities. Chilled and frozen pork is included in the Catalogue of Goods Subject to Automatic Import License Administration for the Year 2014 (《2014年自動進口許可管理貨物目錄》), and thus are subject to such licensing requirements.

Food Export Record-Filing

According to Administrative Measures for the Safety of Import and Export Food (《進出口食品安全管理辦法》), which were promulgated by the GAQSIQ on September 13, 2011 and became effective on March 1, 2012, and Provisions on the Record-Filing Administration of Manufacturers of Food for Export (《出口食品生產企業備案管理規定》), which were promulgated by the GAQSIQ on July 26, 2011 and became effective on October 1, 2011, manufacturers of food for export are subject

to record-filing requirements. The GAQSIQ is responsible for the nationwide unified administration of record-filing by manufacturers of food for export. The Certification and Accreditation Administration is responsible for the nationwide organization and implementation of such record-filing administration.

Under the above-mentioned laws and regulations, manufacturers of food for export are required to abide by various regulations governing import and export activities, including, but not limited to, registration with foreign trade authorities, customs registration, import and export commodity inspection and import and export administration. Manufacturers of food for export are also required to obtain the relevant permits and licenses where necessary. Failure to comply with such regulations could lead to a series of penalties, including confiscation of earnings, imposition of fines, revocation of the licenses, and/or even criminal liabilities.

Laws and Regulations Relating to Transportation

According to Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》), which were promulgated by the State Council on April 30, 2004 and became effective on July 1, 2004, an enterprise that engages in freight transportation business is required to, among other things:

(1) have vehicles that are commensurate with its operations and have passed relevant tests;

(2) have drivers who meet the requirements specified in Article 23 of these Regulations; and

(3) maintain a sound work safety management system.

Enterprises that engage in the freight transportation business are required to obtain road transportation operator licenses before operating transportation business. Enterprises that engage in the freight transportation business are also required to maintain good condition of and inspect the transporting vehicles regularly. Violation of these rules or failure to obtain road transportation operator licenses before commencing operations will lead to a series of penalties, including confiscation of earnings, imposition of fines or even revocation of the licenses.

Laws and Regulations Relating to Environmental Protection and Water-Drawing

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated and became effective on December 26, 1989, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other environmental harms caused to the environment by waste gases, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of the production, construction or other activities. In addition, entities that discharge pollutants must register with the relevant environmental protection authorities.

On November 29, 1998, the State Council promulgated the Regulations on the Administration of Environmental Protection of Construction Project (《建設項目環境保護管理條例》). On October 28, 2002, the Standing Committee approved the Law on Appraising of Environment Impact of the PRC (《中華人民共和國環境影響評價法》) which became effective on September 1, 2003. According to the aforesaid laws, the construction units responsible for the construction projects must submit corresponding environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval and obtain approvals from such administrative departments of environmental protection before they commence construction. Environmental protection facilities shall be designed, built and commissioned together with the whole construction project. No permission shall be given for a construction project to be commissioned until its environmental protection facilities have been examined and assessed and determined to be up to standard by the relevant department of the environmental protection administration that is responsible for examining and approving the environmental impact statement of the applicant.

Pursuant to the requirements under the amended Law on Prevention of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which became effective as of June 1, 2008, the amended Law on Prevention of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), which became effective as of September 1, 2000, and Administrative Regulations on Levy and Utilization of Sewage Charge (《排污費徵收使用管理條例》), which became effective as of July 1, 2003, enterprises which discharge water or air pollutants must pay discharge fees based on the types and volumes of the pollutants discharged. The discharge fees are calculated by the local environmental protection authority, which will review and verify the types and volumes of pollutants discharged. In addition, the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國環境雜訊污染防治法》), which was promulgated on October 29, 1996, regulates the prevention and control of noise pollution. Under the amended Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which became effective as of April 1, 2005 and was amended on June 29, 2013, entities and individuals that collect, store, transport, utilize or dispose of solid waste must take precautions against the spread, loss and leakage of such solid waste and adopt other measures to prevent solid waste from polluting the environment.

The Administrative Measures on the Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (《畜禽養殖污染防治管理辦法》) set out the requirements for the prevention and ratification of pollution caused by or contaminants emitted during the breeding of livestock and poultry. In the event of violation of such administrative measures, the relevant authorities of environment protection can impose orders to stop by production and to rectify the violation.

Under the above-mentioned laws and regulations, we are required to abide by various provisions regarding the environmental protection and prevention of pollution. We are required to complete the environmental impact evaluation process prior to commencing a construction project. We are also required to obtain discharge permits and pay discharge fees for the discharge of pollutants. Failing to comply with environmental protection laws and regulations would subject us to a range of penalties varying from warnings, fines and suspension of the production or operation to other administrative sanctions, depending on the degree of damage or adverse consequences. The responsible person of the breaching entity may be subject to criminal liabilities for serious breaches which result in significant damages to private or public property or personal injury or death.

Water-drawing Laws and Regulations

According to the amended Water Law of the PRC (《中華人民共和國水法》), which was promulgated by the Standing Committee on January 21, 1988, amended on August 29, 2002 and became effective on October 1, 2002, any entities and individuals that draw water directly from rivers, lakes or underground shall apply to the water administrative departments or the drainage management departments for a Water-Drawing Permit (《取水許可證》) and pay water resource fees in order to obtain water-drawing rights in accordance with the national water-drawing permit system and the water resource fee system. Failure to comply with these provisions would result in the fines or even revocation of the Water-Drawing Permits.

Laws and Regulations Relating to Property

The Land Administration Law of the PRC (《中華人民共和國土地管理法》) was promulgated by the Standing Committee on June 25, 1986, became effective on January 1, 1987 and was amended on December 29, 1988, August 29, 1998 and August 28, 2004. The Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) were promulgated by the State Council on December 27, 1998 and became effective on January 1, 1999 (collectively, the "**Land Administration Law**"). Under the Land Administration Law, the national government implements a land registration and certification system. Lawfully registered land ownership and land use rights are protected by law and may not be infringed upon by any units or individuals.

Laws and Regulations Relating to Labor and Social Security

Employment Contracts

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994 and became effective on 1 January 1995, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective on 1 January 2008 and was amended on December 28, 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or entities on one hand and the laborers on the other hand.

Employee Funds

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》), implemented on January 1, 2004, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical

insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of three to five times of the overdue amount will be imposed.

According to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing accumulation funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Laws and Regulations Relating to Occupation Safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), (the "**Production Safety Law**"), which was promulgated by the Standing Committee on June 29, 2002, amended on August 27, 2009 and became effective on November 1, 2002, requires production entities to meet the relevant legal requirements, such as providing their staff with training and handbooks on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which also became effective as of January 1, 2008 (collectively, the "**EIT Law**"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign invested enterprises in the PRC are subject to enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said

establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

According to the EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding at a tax rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. The PRC and Hong Kong governments entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident entity is 5% if such Hong Kong resident entity directly holds at least 25% of the equity interest in the PRC company, and 10% if the Hong Kong resident entity holds less than 25% of the equity interest in the PRC company.

Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation (國家稅務總局) (the "**SAT**") and became effective on February 2, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》), which came into force on October 1, 2009, if a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority.

Value-Added Tax

Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994. The Provisional Regulations were amended on 10 November 2008 and the amended Provisional Regulations came into effect on 1 January 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011年修訂)》) were promulgated by the Ministry of Finance (財政部) and the SAT on 15 December 2008 and were amended and came into effect on November 1, 2011 (collectively, the "**VAT Law**"). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods

within the territory of the PRC must pay value-added tax. According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value-added Tax Rate and Simplified Method to Certain Goods (《財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》) (the "**VAT Notice**"), the value-added tax rate is 13% for taxpayers that sell or import goods such as agricultural products (which refers to primary plant and animal products including grains, vegetables, livestock and poultry products). The value-added tax rate is 17% for taxpayers that sell or import goods that are not specifically listed in the VAT Law and VAT Notice, or provide processing, repairs and replacement services.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective from January 1, 1994 and was amended on November 10, 2008 (effective as of January 1, 2009) and its implementation rules, all entities and individuals that provide taxable services, transfer intangible assets or sell real estate within the PRC are required to pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation.

We are required to obtain tax registration certificates and pay taxes on time and in full, including enterprise income tax, value-added tax and business tax. Failure to do so could lead to penalties such as being ordered to rectify, overdue fines and other fines.

Laws and Regulations Relating to Foreign Exchange

Under the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) which was promulgated in 1996 and amended in 1997 and 2008, and various regulations issued by the State Administration of Foreign Exchange of the PRC ("**SAFE**"), RMB may be converted into foreign currencies without approval for the purpose of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of RMB into other currencies for capital account items, such as direct investments, loans, security investments and repatriation of investments, however, is still subject to the approval of SAFE or its competent local branches. Under Foreign Currency Administration Rules of the PRC, enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and relevant supporting documents and, in the case of capital account item transactions, obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by MOFCOM, SAFE and NDRC, or their respective competent local branches.

Pursuant to the Circular of SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular 75**"), promulgated on October 21, 2005 and effective on November 1, 2005, (a) a PRC individual resident (a "**PRC Resident**") must register with the local SAFE branch before he or she establishes or controls an overseas special purpose vehicle (the "**SPV**") for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity

interests in an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as capital increase or reduction, equity transfer or swap, merger or division, long-term equity or debt investment, or provision of security to a third party, which do not involve reverse investment, the PRC Resident shall, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to the Circular 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute any dividends to the overseas SPV. Since May 2007, SAFE has issued guidance to its local branches from time to time with respect to the procedures for SAFE registration under Circular 75. Such guidance included Notice on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**Circular 59**") issued on 19 November 2012 and came into effect from 17 December 2012. The Circular 59 further clarifies issues concerning the implementation and application of Circular 75 and simplifies the operational procedures for Circular 75.

Any failure by PRC Shareholders to register their interest in the SPV or any changes to such interest with SAFE may result in restrictions on distribution or contributions from capital reductions, share transfers or liquidations of the PRC subsidiaries and may affect the ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

REGULATIONS MATERIAL TO OUR U.S. OPERATIONS

Our operations in the U.S. subject us to various federal, state and local laws and regulations including, not limited to, those governing air emissions, wastewater discharges, hog production, occupational health and safety, product processing, packaging and labeling and our handling of hazardous materials and wastes. Failure to comply with any of those requirements or any requirements discussed below could have significant consequences, including penalties, injunctive relief, claims for personal injury and property and natural resource damages, recalls, and negative publicity.

Environmental Laws and Regulations

The U.S. has a stringent system of environmental laws that affect nearly every industry. Our pork processing and hog production facilities in the U.S. are required to comply with all applicable government environmental regulations which are issued and administered on the federal, state and local levels. Our pork processing and hog production facilities generate waste water and storm water, manure and other waste products, which must be managed properly to protect public health and the environment and which requires permits under state, and in some instances federal law. The permits impose standards and conditions on the design and operation of the systems to protect public health and the environment, and can also impose nutrient management planning requirements depending on the type of system utilized.

Water

The Clean Water Act ("CWA") and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants into waters. The discharge of pollutants into jurisdictional waters is prohibited, except in accordance with the terms of a permit issued by the U.S. Environmental Protection Agency (the "EPA") or a delegated state agency. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

Federal Statutory and Regulatory Framework

The CWA is the primary federal law in the U.S. governing the discharge of any pollutant into jurisdictional waters of the U.S. The CWA is based on the Federal Water Pollution Control Amendments of 1972, which significantly expanded the Federal Water Pollution Control Act of 1948 and shifted regulatory oversight from states to the federal government by requiring the former to adopt a federally-mandated National Pollutant Discharge Elimination System (the "NPDES") permit program. Major amendments were enacted in the Clean Water Act of 1977 and the Water Quality Act of 1987. The CWA has three basic programs: (1) technology-based requirements (*i.e.*, requirements based on available technology and considering cost effectiveness) that require a facility to meet minimum industry standards to reduce discharges of pollutants from existing facilities and require state-of the-art technology for new construction, (2) a regulatory program to ensure that the water body receiving the discharge meets applicable standards to protect the beneficial uses (*e.g.*, fishing, swimming, public water supply), and (3) NPDES permit programs that impose effluent limitations and best management practices to implement the first two programs and impose monitoring, record-keeping and reporting requirements for enforcement. The CWA prohibits the discharge of pollutants into waterways without a permit. The EPA is the federal government agency charged with implementing regulations under the CWA, administering the NPDES program and issuing permits to facilities applying for permission to discharge.

The principal objectives of the CWA are to restore and maintain the chemical, physical, and biological integrity of the nation's waters by preventing point and nonpoint pollution sources, providing assistance to publicly owned treatment works for the improvement of wastewater treatment, and maintaining the integrity of wetlands. Pollutants regulated under the CWA include "priority" pollutants, including various toxic pollutants; "conventional" pollutants, such as biochemical oxygen demand, total suspended solids, fecal coliform, oil and grease, and pH; and "non-conventional" pollutants, including any pollutant not identified as either conventional or priority. The CWA regulates both direct and indirect discharges. The CWA imposes substantial potential liability for the unpermitted discharge of pollutants to waters of the U.S. and authorizes remediation of waters affected by such discharge.

The NPDES permit system applies to pork processing facilities and to certain livestock farms. Large-scale livestock farms were designated as "point sources" of pollution in the CWA. Point sources may not discharge pollutants to surface waters without a permit from the NPDES. This system is managed by the EPA in partnership with state environmental agencies.

The EPA has delineated three categories of Concentrated Animal Feeding Operations ("CAFOs"), ordered in terms of capacity: large, medium and small. The relevant animal unit for each category varies depending on species and capacity. For instance, large CAFOs house 2500 or more hogs and medium CAFOs can have 750-2499 hogs. The categorization of CAFOs has an impact on whether a facility is subject to regulation under the CWA. Large CAFOs are automatically subject to EPA regulation; medium CAFOs must also meet one of two method of discharge criteria to be defined as a CAFO (or may be designated as such); and small CAFOs can only be made subject to EPA regulations on a case-by-case basis. A small CAFO will also be designated a CAFO for purposes of the CWA if it discharges pollutants into waterways of the U.S. through a man-made conveyance such as a road, ditch or pipe. Alternatively, a small CAFO may be designated an ordinary animal feeding operation ("AFO") once its animal waste management system is certified at the site.

In March 2011, the U.S. Court of Appeals for the Fifth Circuit overturned the EPA's November 2008 rule requiring that CAFOs that "discharge or propose to discharge" apply for permit coverage under the NPDES. The Fifth Circuit's decision (which held that only discharging CAFOs have a duty to apply for NPDES permit coverage) has clarified the extent of our obligations under the NPDES permit program. The EPA has not yet proposed or finalized a rule in response to the Fifth Circuit's decision, and it is not clear whether any such action may attempt to impose additional obligations on our hog production operations in the U.S.

State and Local Statutory and Regulatory Framework

The EPA has delegated authority to operate CWA environmental programs to the states which have adopted laws and regulations which are least as stringent as the federal standards and which have demonstrated they have adequate resources to run the programs. Delegation usually includes permitting, inspections, monitoring and enforcement, and often includes standards setting. In addition to regulation required by the federal government, some states require facility design approval; construction and operation permits; zoning requirements; and hydrogen sulfide regulation.

With respect to the NPDES permits, the EPA has authorized 46 states to issue permits directly to the discharging facilities. In the remaining, non-delegated, states and territories, the permits are issued by EPA regional offices. Even in delegated states, the EPA retains the authority to enforce violations of state-issued permits and also has the power to overrule state permitting decisions under certain circumstances.

In most cases, our processing plants discharge wastewater to a local government municipal sewer system under an industrial discharge permit, which imposes pretreatment requirements. The local government in turn further treats the wastewater and discharges it under an NPDES permit issued by the state. A few of our plants also have NPDES permits. Many of our facilities also have storm water permits governing discharges storm water from a point source to receiving waters. Most of these permits are general state NPDES permits (*i.e.*, they apply to a category of facilities rather than a specific facility) issued by state rule. Many of our facilities also have storage facilities that require the development of spill prevention and counter measure control (SPCC) plans. Both storm water permits and SPCC plans can require best management practices that are designed to avoid, minimize

and mitigate discharges to surface waters. Our hog production systems also require permits under the state law. The permits impose standards and conditions on the design and operation of the systems to protect public health and the environment, and can also impose nutrient management planning requirements depending on the type of system utilized.

Air

The Clean Air Act (the "CAA") and comparable state laws regulate emissions of air pollutants from various industrial sources and also impose various emission limits, operational limits and monitoring, reporting and record keeping requirements on air emission sources. Such laws and regulations also require pre-construction permits for the construction or modification of certain projects or facilities with the potential to emit air emissions above certain thresholds. These pre-construction permits generally require use of best available control technology to limit air emissions. Failure to comply with these requirements could result in monetary penalties, injunctions, conditions or restrictions on operations, and potentially criminal enforcement actions.

Federal Statutory and Regulatory Framework

The CAA has three types of programs (1) technology-based requirements for existing and new sources, (2) air quality programs for the protection of public health, and (3) permit programs to impose and enforce emission limitations and monitoring, record-keeping and reporting requirements. The CAA requires the EPA to develop and enforce regulations to protect the public from airborne contaminants known to be hazardous to human health. Under the CAA, a federally enforceable operating permit is required for sources of significant air emissions. We may be required to incur certain capital expenditures for air-pollution-control equipment in connection with obtaining or maintaining such permits.

During 2002, the National Academy of Sciences (the "Academy") undertook a study at the EPA's request to assist the EPA in considering possible future regulation of air emissions from animal feeding operations. The Academy's study identified a need for more research and better information, but also recommended implementing without delay technically and economically feasible management practices to decrease emissions. Further, Smithfield's hog production subsidiaries have accepted the EPA's offer to enter into an administrative consent agreement and order with owners and operators of hog farms and other animal production operations. Under the terms of the consent agreement and order, participating owners and operators agreed to pay a penalty, contribute towards the cost of an air emissions monitoring study and make their farms available for monitoring. In return, participating farms have been given immunity from federal civil enforcement actions alleging violations of air emissions requirements under certain federal statutes, including the CAA. Pursuant to Smithfield's consent agreement and order, it paid a US$100,000 penalty to the EPA. Premium Standard Farms' Texas farms and company-owned farms in North Carolina also agreed to participate in this program. The U.S. National Pork Board, of which Smithfield is a member and financial contributor, paid the costs of the air emissions monitoring study on behalf of all hog producers, including Smithfield, out of funds collected from its members in previous years. The cost of the study for all hog producers was approximately US$6.0 million. Monitoring under the study began in the spring of 2007 and ended in the winter of 2010. The EPA made the data available to the public in January 2011 and also issued a Call for Information seeking additional emissions data to ensure it considers the broadest range of

available scientific data as it develops improved methodologies for estimating emissions. The EPA reviewed the data to develop emissions estimating methodologies where site-specific information is unavailable. In March 2012, the EPA made available draft emission estimation methodologies for broilers and swine and dairy feeding operations for public comment. The EPA has not announced when it expects to finalize the methodologies. New regulations governing air emissions from animal agriculture operations are likely to emerge from the monitoring program undertaken pursuant to the consent agreement and order.

The CAA also indirectly affects our operations. In October 2010, the EPA granted a "partial waiver" to a statutory bar under the CAA prohibiting fuel manufacturers from introducing fuel additives that are not "substantially similar" to those already approved and in use for vehicles of model year ("MY") 1975 or later. The EPA's decision allows fuel manufacturers to increase the ethanol content of gasoline to 15% ("E15") for use in MY 2007 and newer light-duty motor vehicles, including passenger cars, light-duty trucks, and medium-duty passenger vehicles. In January 2011, the EPA granted another partial waiver authorizing E15 use in MY 2001-2006 light-duty motor vehicles. Prior to the EPA's decisions, the ethanol content of gasoline in the U.S. was limited to 10%. Judicial challenges to these rulemakings by a coalition of industry groups were dismissed.

These agency actions, along with subsequent evaluations by the EPA, allow the introduction of E15 into commerce and the marketplace by manufacturers. Although the long-term impact of E15 is currently unknown, studies have shown that expanded corn-based ethanol production has driven up the price of livestock feed and led to commodity-price volatility. We cannot presently assess the full economic impact of past and future waivers on the meat processing industry or on our operations.

Increasing efforts to control emissions of greenhouse gases ("GHGs") may impact our operations. In December 2009, the EPA made a finding that automotive emissions of greenhouse gases (GHG) are endangering public health and welfare within the meaning of the CAA and therefore "subject to regulation." The U.S. Supreme Court will also consider whether regulation of GHG for purposes of the automotive emissions also triggers permitting of stationary sources. Depending on how the Supreme Court rules, Smithfield's operations (including the combustion sources at the processing plants and biogenic GHG sources on its hog production operations) may be subject to GHG permitting. In 2009, the EPA also finalized its Mandatory Reporting of Greenhouse Gases rule, which requires owners or operators of certain facilities (including facilities that contain a manure management system) that emit at least 25,000 metric tons or more of GHGs per year to report their emissions. Although the EPA has not been implementing the rule as it applies to manure management systems due to a congressional restriction prohibiting the expenditure of funds for this purpose, there is no assurance that this prohibition will not be lifted in the future. Should that occur, the rule would impose additional costs on our hog production operations in the U.S.; however, it is not expected that such costs would have a material adverse effect on our hog production operations in the U.S.

The EPA finalized regulations in 2010 under the CAA, which may trigger new source review and permitting requirements for certain sources of GHG emissions. These rulemakings are all subject to judicial appeals. There may also be changes in applicable state law pertaining to the regulation of GHGs.

Congress and the EPA are considering various options to control GHG emissions. It is unclear at this time when or if such options will be finalized, or what the final form may be. Due to the uncertainty surrounding this issue, it is premature to speculate on the specific nature of impacts that imposition of GHG emission controls would have on us, and whether such impacts would have a material adverse effect.

State and Local Statutory and Regulatory Framework

The U.S. EPA has delegated authority to operate CAA environmental programs to the U.S. States which have adopted laws and regulations which are at least as stringent as the federal standards and which have demonstrated they have adequate resources to run the programs. Delegation usually includes permitting, inspections, monitoring and enforcement, and often includes standards setting. In some cases, states have chosen to not accept responsibility for enforcement of certain CAA programs and the EPA assumes those duties. In addition, the EPA can undertake CAA enforcement in any state.

Most of our processing plants have one of three types of permits: (a) state operating permit programs for existing sources, (b) prevention of significant deterioration (PSD) program permits for new major sources and major modifications, or (c) a federal Title V operating program for major sources. These programs impose technology and air quality based emission limits, monitoring, recordkeeping and reporting requirements on the boilers, smokers and other combustion devices.

Most states have regulations that deal directly or indirectly with odors from concentrated animal feeding operations. Some have direct regulations, which means they have specific rules that prohibit odor emissions greater than their standard. Some have indirect regulations, such as setbacks, permits, public comment periods and manure handling training, as methods to reduce odor from feedlots. Some of the states in which we operate have setbacks rules that are based on source type (lagoon, confinement building, etc.) or type of receptor (home, school, park or community). Size of CAFO also is used in setback rules.

Several states in which we operate have taken steps to require the reduction of GHGs by certain companies and public utilities, primarily through the planned development of GHG inventories and/or regional GHG cap and trade programs and targeted enforcement.

Waste

Federal Statutory and Regulatory Framework

The Resource Conservation and Recovery Act (the "RCRA") of 1976, which amended the Solid Waste Disposal Act, is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. The Hazardous and Solid Waste Amendments (the "HSWA") of 1984 strengthened the RCRA's waste management provisions. The EPA is charged with implementing regulations under the RCRA.

Regulations promulgated pursuant to the RCRA establish a "cradle-to-grave" system governing hazardous waste from the point of generation to disposal. RCRA divides solid waste into two groups, hazardous and nonhazardous. Wastes are generally classified as hazardous if they either: (1) are

specifically included on a list of hazardous wastes; or (2) exhibit certain characteristics defined as hazardous. Wastes classified as hazardous under RCRA are subject to much stricter regulation than wastes classified as nonhazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of nonhazardous waste. Regulated entities that generate hazardous waste are subject to waste accumulation, manifesting, and recordkeeping standards. Facilities that treat, store, or dispose of hazardous waste must obtain a permit, either from EPA or from a state agency that EPA has authorized to implement the permitting program. The RCRA also contains provisions for conducting corrective actions that govern the cleanup of releases of hazardous waste or constituents from solid waste management units at RCRA-regulated facilities.

Some of our facilities generate small quantities of hazardous waste and fall within regulations governing Conditionally Exempt Small Quantity Generators (CESQG), 40 CFR 261.5. CESQG's generate less than 100 kilograms of hazardous waste per month and no more than 1 kilogram of acute hazardous waste (such as some pesticides, toxins or arsenic and cyanide compounds) per month. CESQG's do not require permits and have reduced record keeping requirements as compared to facilities generating or storing larger quantities of waste.

State and Local Statutory and Regulatory Framework

Although RCRA is a federal statute, many states implement the RCRA programs. Most states have enacted laws and created regulations that are at least as stringent as the federal regulations. Furthermore, the RCRA statute authorizes states to carry out many of the functions of the federal law through their own hazardous waste programs (as well as their state laws) if such programs have been approved by the EPA. Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of U.S. states have regulatory programs governing the operations and permitting of hazardous waste facilities. Accordingly, the hazardous waste treatment, storage and disposal activities of a number of our facilities are regulated by the relevant state agencies in addition to federal EPA regulation.

Some states classify some wastes as hazardous that are not regulated under RCRA. Accordingly, we must comply with state requirements for handling state regulated wastes, and, when necessary, obtain state licenses for treating, storing, and disposing of such wastes at our facilities.

Comprehensive Environmental Responses, Compensation, and Liability Act

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (the "CERCLA") in the U.S., also known as the Superfund Law established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, any person who arranges for the

transportation, disposal or treatment of the hazardous substances, and the transporters who select the disposal and treatment facilities, regardless of the care exercised by such persons. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigation and cleanup can be very substantial.

If we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs, even if others were also liable. Under such laws, we could be required to remove previously disposed substances and wastes (including substances disposed of or released by prior owners or operators) or remediate contaminated property (including groundwater contamination, whether from prior owners or operators or other historic activities or spills). These laws may also require us to conduct natural resource damage assessments and pay penalties for such damages. CERCLA also authorizes private party litigation pertaining to such contamination. Various state laws also impose strict joint and several liability for investigation, cleanup and other damages associated with hazardous substance releases.

Occupational Safety and Health Laws and Regulations

Our operations in the U.S. are subject to the Occupational Safety and Health Act (the "OSHA") which was enacted by the U.S. Congress in 1970. The OSHA establishes employer responsibilities for worker health and safety, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, comply with adopted worker protection standards, maintain certain records, provide workers with required disclosures and implement certain health and safety training programs. The OSHA created the Occupational Safety & Health Administration, a federal agency under the Department of Labor, and gave it the authority to promulgate implementing regulations and set and enforce workplace health and safety standards. The OSHA hazard communication standard, EPA community right-to-know regulations under Title III of the Superfund Amendments and Reauthorization Act of 1986 and similar state statutes require that we organize and/or disclose information about hazardous materials used or produced in our operations. Such laws and regulations also require us to ensure our workplaces meet minimum safety standards and provide for compensation to employees injured as a result of our failure to meet these standards as well as civil and/or criminal penalties in certain circumstances. The Occupational Safety & Health Administration also permits and encourages states to adopt their own occupational safety and health laws and regulations and many state agencies have programs approved by the Occupational Safety & Health Administration.

Food Safety Laws and Regulations

Numerous federal, state, and local agencies share responsibilities for regulating the safety of the U.S. food supply. Federal responsibility for food safety rests primarily with the Food and Drug Administration (the "FDA") and the U.S. Department of Agriculture (the "USDA"). FDA, an agency of the Department of Health and Human Services, is responsible for ensuring the safety of all domestic and imported food products (except for most meats and poultry). Food Safety and Inspection Service (the "FSIS") of USDA regulates the safety, wholesomeness, and proper labeling of most domestic and imported meat and poultry and their products sold for human consumption. State and local food safety

authorities collaborate with federal agencies for inspection and other food safety functions, and they regulate retail food establishments. Food safety standards, processes and procedures are also subject to the USDA Hazard Analysis Critical Control Point program, which includes compliance with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002.

Federal Food Safety Laws and Regulations

The Federal Meat Inspection Act of 1906 (the "FMIA") was enacted in 1906 (originally titled the "Meat Inspection Act of 1906") by the U.S. Congress to prevent adulterated or misbranded meat and meat products from being sold as food and to ensure that meat and meat products are slaughtered and processed under sanitary conditions. The FMIA requires the USDA to inspect all cattle, sheep, swine, goats and horses as they are slaughtered and processed into products to be sold for human consumption through interstate commerce. This inspection role is administered by the FSIS. FSIS personnel inspect all meat and poultry animals at slaughter on a continuous basis, and at least one federal inspector is on the line during all hours the plant is operating. Processing inspection does not require an FSIS inspector to remain constantly on the production line or to inspect every item. Instead, inspectors are on site daily to monitor the plant's adherence to the standards for sanitary conditions, ingredient levels, and packaging, and to conduct statistical sampling and testing of products.

In 1996, the USDA issued its Pathogen Reduction: Hazard Analysis and Critical Control Points (the "HACCP") System rule, which requires that all meat and poultry processing plants in the U.S. operate under a HACCP system. Since January 2000, all slaughter and processing operations are required to have HACCP plans in place. HACCP is intended to operate as an additional measure of safety to the traditional methods of inspection, which are still mandatory under the original statutes. The HACCP system identifies critical points during the food processing process where contamination is likely to occur, mandates food industry personnel to put in place controls to prevent contamination during these critical points, and requires validation and verification that the preventative measures are being properly implemented. FSIS inspectors are charged with monitoring compliance with the HSA and the regulations promulgated under it. Under HACCP regulations, all operations must have site-specific standard operating procedures (SOPs) for sanitation. Record keeping and verification are used to ensure that the system is working. State or federal inspectors check records to verify a plant's compliance. The HACCP rule also mandates two types of microbial testing: for generic E. Coli and for Salmonella. Test results help FSIS inspectors verify that plant sanitation procedures are working, and to identify and assist plants whose process control may be under performing.

With respect to animal feedstuffs safety, the Food and Drug Administration Amendments Act of 2007 (the "FDAAA") directs the Secretary of Health and Human Services and the FDA to promulgate significant new requirements for the pet food and animal feedstuffs industries. As a prerequisite to new requirements specified by the FDAAA, the FDA was directed to establish a Reportable Food Registry, which was implemented on September 8, 2009. On June 11, 2009, the FDA issued "Guidance for Industry: Questions and Answers Regarding the Reportable Food Registry as Established by the Food and Drug Administration Amendments Act of 2007: Draft Guidance." The RFR Draft Guidance was published on September 8, 2009. In the RFR Draft Guidance, the FDA defined a reportable food, which the manufacturer or distributor would be required to report in the Reportable Food Registry, to include materials used as ingredients in animal feeds, if there is reasonable probability that the use of such materials will cause serious adverse health consequences or death to humans or animals. The

FDA issued a second version of its RFR Draft Guidance in May 2010 without finalizing it. On July 16, 2013, the FDA finalized the draft policy regarding salmonella in food for animals that the agency developed in 2010 with publication of "Compliance Policy Guide Sec. 690.800 Salmonella in Food For Animals." The Compliance Policy Guide ("CPG") describes differing criteria to determine whether farmed animal feedstuffs that are contaminated with salmonella will be considered to be adulterated under section 402(a)(1) of the Federal Food, Drug, and Cosmetic Act. According to the CPG, finished animal feedstuffs intended for pigs, poultry and other farmed animals will be considered to be adulterated only if the feed is contaminated with a species of salmonella that is considered to be pathogenic for the animal species that the feedstuff is intended for. With issuance of the CPG, the FDA revoked a 1967 advisory opinion on animal feeds contaminated with salmonella microorganisms and removed 21 CFR 500.35 from the Code of Federal Regulations. The impact of the FDAAA and implementation of the Reportable Food Registry on the Company, if any, will not be clear until the FDA finalizes its RFR Draft Guidance, which was not finalized as of the date hereof.

The Animal Health Protection Act allows for the quarantine, destruction, and disposal as well as restriction of transit of diseased livestock. The Animal Disease Risk Assessment, Prevention, and Control Act of 2001 requires a report on foot-and-mouth disease, bovine spongiform encephalopathy (also known as "mad cow disease"), and related diseases. The Animal Enterprise Terrorism Act makes it a crime to travel in interstate commerce or use the mail for the purpose of damaging or interfering with any animal enterprise (including farms). The Commercial Transportation of Equine for Slaughter Act regulates the commercial transportation of equine for slaughter.

State Food Safety Laws and Regulations

The Federal Meat Inspection Act was substantially amended by the Wholesome Meat Act of 1967, which established a state-federal cooperative inspection program that requires state inspection programs to be "at least equal to" the federal program with respect to the slaughtering and processing of cattle, sheep, swine, goats and horses for intrastate commerce. The FSIS monitors these state inspection programs and is also required to step in for state inspectors in the event that a state inspection program is inadequate. If a state chooses to discontinue its own inspection program, or if the FSIS determines that it does not meet the agency's equivalency standards, the FSIS must assume the responsibility for inspection if the formerly state-inspected plants are to remain in operation.

Twenty-eight states (including some of the states in which we operate) currently have their own meat and poultry inspection programs. However, the laws also limit products receiving state inspection to distribution solely within that state. Federal inspections are required for all meat, poultry and egg products sold in interstate and foreign commerce to ensure compliance with mandatory U.S. food safety standards and inspection legislation. The FSIS also has cooperative agreements with more than two dozen states under which state inspection personnel are authorized to carry out federal inspection in meat and/or poultry plants. Products from these plants may travel in interstate commerce. As of the Latest Practicable Date, there are no real distinctions between state and federal inspection requirements. In fact, many states impose inspection requirements more stringent than USDA.

Humane Slaughter Laws and Regulations

The Humane Slaughter Act (the "HSA") was enacted in 1958 by the U.S. Congress to decrease the suffering of livestock during slaughter. The HSA requires the proper treatment and humane handling of all food animals slaughtered in USDA inspected slaughter plants. FSIS inspectors are charged with monitoring compliance with the HSA and the regulations promulgated under it. The HSA provides acceptable methods of slaughter of animals to be used as food. The Twenty—Eight Hour Law restricts the transportation of animals such that they may not be confined in a vehicle for more than 28 consecutive hours without unloading them for feeding, water, and rest, with some exceptions that extend the time; birds are not covered. All 50 states have animal cruelty statutes. Nearly all the states provide by law that an animal must be "rendered insensible to pain" (e.g., made unconscious or killed) prior to being hoisted or shackled for slaughter. Most of these state laws also contain a religious/ritual slaughter exception whereby an animal may be killed by severing the carotid artery, causing loss of consciousness prior to be hoisted. About half of the states expand the definition of "livestock" to any animal used in the preparation of meat products. Penalty for violation of these statutes is relatively lenient. Some states provide an exemption for the practice of slaughtering animals for food but specify that a humane method of slaughtering must be used. Iowa and Utah, exclude livestock from their definition of "animal," thereby depriving livestock of any coverage from the cruelty statutes.

Packers and Stockyard Act

Our operations in the U.S. are subject to the Packers and Stockyards Act of 1921 ("PSA"), which is administrated by the Grain Inspection, Packers and Stockyards Administration (the "GIPSA"), which is part of USDA's Marketing and Regulatory Programs. The general purpose of the PSA is to: (1) assure fair competition and fair trade practices; (2) safeguard farmers and ranchers; (3) protect consumers; and (4) protect members of the livestock, meat and poultry industries from unfair, deceptive, unjustly discriminatory and monopolistic practices. This statute generally prohibits participants in the livestock industry from engaging in certain anti-competitive practices. In addition, this statute requires us to make payment for our livestock purchases before the close of the next business day following determination of the purchase price and transfer of possession of the livestock we purchase, unless otherwise agreed to by our livestock suppliers. Violations of the PSA may be resolved through a notice of violation, a stipulation agreement with GIPSA, administrative actions and court actions.

Labor Laws and Regulations

We are subject to the Fair Labor Standards Act (which governs such matters as minimum wages, overtime and other working conditions), along with the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated by federal, state and local governmental authorities that govern these and other employment matters, including, tip credits, working conditions, safety standards and immigration status. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor in a particular area or across the U.S. Federal and state laws may also require us to provide paid and unpaid leave to our employees, or healthcare or other employee benefits, which could result in significant additional expenses to us. We are also subject to federal immigration laws

requiring compliance with work authorization documentation and verification procedures. We are also subject to certain guidelines under the Americans with Disabilities Act of 1990 and various state codes and regulations, which require restaurants to provide full and equal access to persons with physical disabilities.

Export and Import Laws and Regulations

In a manner similar to its reviews of state meat inspection programs, FSIS conducts overseas evaluations to determine that meat imports from foreign countries are processed under "equivalent" inspection systems. Agency officials also verify equivalency by visiting various foreign slaughtering and processing operations. A plant seeking to export meat or poultry to the U.S. must first receive FSIS certification. At U.S. ports of entry, meat and poultry import shipments must first clear Department of Homeland Security (the "DHS") inspection to assure that only shipments from countries free of certain animal and human disease hazards are allowed entry. After the DHS inspection, imported meat and poultry shipments go to nearby FSIS inspection facilities for final clearance into interstate commerce. Foreign-inspected meat can be shipped to and sold anywhere in the U.S. as long as that country's foreign inspection program is equivalent to U.S. federal standards—in practice the same standard which state-inspected programs must meet.

Our U.S. fresh pork products are exported to numerous global markets, including Mexico, Japan, China and Hong Kong, Russia and Canada some of which may from time to time impose tariffs, quotas, trade barriers and other trade protection measures. In addition, some of the jurisdictions that we export our products to may impose veterinary, sanitary, packing, marking, labeling and certification requirements on our products. Our exported products are often inspected by foreign food safety authorities, and any violation discovered during these inspections may result in a partial or total return of a shipment, partial or total destruction of the shipment and costs due to delays in product deliveries to our customers.

Exon-Florio Amendment

Under the Exon-Florio Amendment to the Defense Production Act of 1950, as amended by the Foreign Investment and National Security Act of 2007 (the "Exon-Florio Amendment"), the President of the U.S. is authorized to prohibit or suspend acquisitions, mergers or takeovers by foreign persons of persons engaged in interstate commerce in the U.S. if the President determines that there is credible evidence that such foreign persons in exercising control of such acquired persons might take action that threatens to impair the national security of the U.S. and that other provisions of existing law do not provide adequate authority to protect national security. Pursuant to the Exon-Florio Amendment, a party or parties to a transaction may provide a notification to the Committee on Foreign Investment in the U.S. (the "CFIUS"), which has been designated to administer the Exon-Florio Amendment, for review of the transaction. Notification is not mandatory, but CFIUS has authority to self-initiate a review of a transaction in the absence of a voluntary notification, including after the transaction has closed.

Once a review has been initiated (whether by notification or CFIUS's own initiative), CFIUS has 30 calendar days to decide whether to initiate a formal investigation. If CFIUS declines to investigate, the review process is complete. If CFIUS decides to investigate, it has an additional 45 days in which

to resolve the matter or prepare a recommendation to the President of the U.S., who must then decide within 15 days of the recommendation whether to block the transaction. CFIUS may condition its clearance of a transaction upon commitments to be provided by the acquirer. These timetables may be extended in some circumstances if information is not provided as requested. Regardless of whether or not notification is made, there is no prohibition against the consummation of an acquisition, merger or takeover while a review is pending, but CFIUS retains jurisdiction to review a covered transaction following its consummation (unless a review was completed prior to closing).

As an entity that is majority owned and controlled by non-U.S. persons, the Company is deemed a "foreign person" under the Exon-Florio Amendment. Thus, any transaction in which the Company directly or indirectly (including through Smithfield or any other U.S.-based entity) acquires control over a business engaged in interstate commerce in the United States is potentially "covered" under the Exon-Florio Amendment and subject to review for national security concerns. Our ability (or the ability of our U.S.-based subsidiaries) to conduct future merger and acquisition activity might be adversely affected by this process.

Others

Our meat processing and hog production operations in the U.S. use various raw materials, primarily live hogs, corn, soybean meal and wheat, which are actively traded on U.S. commodity exchanges. We hedge these commodities in the U.S. when we determine conditions are appropriate to mitigate the inherent price risks and thus are subject to the limits and rules of the U.S. Commodities Futures Trading Commission (the "CFTC"). Many of the food commodities we use in our operations are subject to governmental agricultural programs. These programs have substantial effects on prices and supplies and are subject to periodic governmental and administrative review. For example, the Commodity Exchange Act authorizes the CFTC to "proclaim and fix such limits on the amounts of trading which may be done or on positions that may be held" of commodities in which "excessive speculation" has caused "sudden or unreasonable fluctuations or unwarranted changes in the price" of the commodity. For corn, wheat and soybeans, the CFTC specifies the maximum position that one person can hold in a single month or in all months.

We engage in operations and activities outside the U.S. and thus are subject to the Foreign Corrupt Practices Act (the "FCPA") which, among other restrictions, prohibits U.S. companies and their intermediaries from making payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect their financial and other transactions with foreign officials. The FCPA applies to companies, individual directors, officers, employees and agents. The FCPA also applies to foreign companies and persons taking any action in furtherance of such payments while in the U.S. Under the FCPA, U.S. companies may also be held liable for actions taken by strategic or local partners or representatives. In particular, we may be held liable for actions taken by our strategic or local partners even though our partners are not subject to the FCPA. The FCPA imposes civil and criminal penalties for violations of its provisions. Civil penalties may include fines of up to US$500,000 per violation, and equitable remedies such as disgorgement of profits causally connected to the violation (including prejudgment interest on such profits) and injunctive relief. Criminal penalties for violations of the payments provisions could range up to the greater of US$2 million per violation or twice the gross pecuniary gain sought by making

the payment, and/or incarceration for up to 5 years per violation. Moreover, if a director, officer or employee of a company is found to have willfully violated the FCPA books and records provisions, the maximum penalty would be imprisonment for 20 years per violation. Maximum fines of up to US$25 million may also be imposed for willful violations of the books and records provisions by a company.

The U.S. Department of the Treasury's Office of Foreign Assets Control administers certain laws and regulations, or U.S. Economic Sanctions Laws, that restrict U.S. persons in conducting activities, transacting business with or making investments in certain countries, governments, entities and individuals subject to U.S. economic sanctions, or Sanctions Targets. We will not use any proceeds, directly or indirectly, from our Global Offering to fund any activities or business with any Sanctions Target.

REGULATIONS MATERIAL TO OUR OPERATIONS IN OTHER JURISDICTIONS

Our meat processing and hog productions in Poland and Romania subject us to laws and regulations in these jurisdictions with respect to environment protection, food safety, animal welfare and labor. Both Poland and Romania are members of the European Union ("EU") and, as such, are required to follow EU regulations and to enact domestic legislation to give effect to EU legislation.

The EU environmental regulations impose various environmental requirements on our operations. Such regulations aim at setting forth the limits within which we may carry out our activities to ensure adherence to various environmental principles, including the preventive and polluter-pays principles. In view of achieving the above general principles, the EU and domestic legislation requires us, among other things, to:

- Perform environmental impact assessments, including detailed reports, on activities with a significant environmental impact, in line with the legal framework set out at EU level by Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment, at the Romanian level by Government Decision No. 445/2009 on the environmental impact assessment of certain public and private projects and at the Polish level by Regulation of the Council of Ministers of 9 November 2010 on projects significantly affecting the environment (Journal of Laws of 2010, No. 213, item 1397, as amended);

- Obtain permits for performing certain activities considered to have an environmental impact (for example, pig rearing and fattening, operation of silos, and production and disposal of waste and the discharge of wastewater), generally in line with the legal framework set out previously at the EU level by Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, at the Romanian level by Government Decision No. 152/2005 on integrated pollution prevention and control and at the Polish level by Act of 3 October 2008 on the disclosure of information about the environment and its protection, public participation in environmental protection and environmental impact assessments (Journal of Laws of 2009, No. 199, item 1227, as amended), and currently at the EU level by

Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions, at the Romanian level by Law No. 278/2013 on industrial emissions and at the Polish level by Act of 14 December 2012 on Waste (Journal of Laws of 2013, item 21, as amended);

- Comply with the discharge limits and specific requirements set forth in the permits (for example, requirements to perform activities while applying best available techniques detailed in Best Available Techniques Reference Documents published at the EU level for specific types of activities) or regulations (for example, in Romania discharge limits are set out for air in line with Law No. 104/2011 on ambient air quality and the Ministerial Order No. 462/1993 on the approval of Technical conditions for atmosphere protection and Methodological norms on determining atmospheric pollutants emissions generated by stationary sources and for waste water in Government Decision No. 188/2002 on the approval of norms on the conditions for discharging waste water into water bodies, while in Poland limits are set out by Environmental Protection Act of 27 April 2007 (Journal of Laws of 2007, No. 88, item 587, as amended) and Act of 14 December 2012 on Waste (Journal of Laws of 2013, item 21, as amended);

- Manage waste considering specific requirements that may be applicable to different waste streams, in line with the general framework set out at the EU level by Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste, at the Romanian level by Law No. 211/2011 on waste regime and at the Polish level by Act of 13 September 1996 on maintaining cleanliness and order in Communes (Journal of Laws of 2013, item 1399, as amended) and Act of 14 December 2012 on Waste (Journal of Laws of 2013, item 21, as amended). Amongst others, the waste regime requires waste generators to ensure the separate collection of waste, as well as to manage such waste while giving priority to recovery or recycling solutions, as opposed to landfilling; and

- Pay for the emission of gas and dust into the atmosphere (for example, in Romania based on Government Emergency Decision No. 196/2005 on the Environmental Fund), the discharge of wastewater into the environment (water or soil) or in case of failure to meet the legal recovery quotas for waste packaging.

The regulations set out strict self-monitoring and reporting obligations, which are aimed at allowing early identification of negative impacts on the environment and implementation of preventative, mitigating or remediation actions. The regulations also set forth strict liability rules for environmental damage or imminent threat thereof, which may extend to the operator's affiliates which are members of the same company group, as well as actions required to be taken in such cases. The environmental liability regime is set out at the EU level by Directive 2004/35/CE of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage, in Romania by the Government Emergency Ordinance No. 195/2005 on environmental protection and the Government Emergency Ordinance No. 68/2007 on environmental liability with regard to the prevention and remedying of environmental damage and at the Polish level by Act of 13 April 2007 on preventing the environmental damage and its redress (Journal of Laws of 2007, No. 75, item 493, as amended) the Regulation of the Minister

of Environment of 30 April 2008 on criteria for assessing the occurrence of damage (Journal of Laws of 2008, No. 82, item 501) and the Regulation of the Minister of Environment of 04 June 2008 on types of remedial actions and the method of conducting them (Journal of Laws of 2008, No. 103, item 664).

We are also subject to environmental inspection by local authorities from time to time. From the European perspective, the important legal frameworks are described in the EU Directive on Environmental Impact Assessment ((85/337/EC). Failure to comply with the requirements set out by the applicable law may result, depending on the seriousness of the breach, in administrative fines, suspension or annulment of the operating permits or even criminal sanctions (although, to the best of our knowledge, the authorities have only seldom applied the latter sanctions in connection with entities' breaches of environmental law requirements).

The EU and domestic food hygiene regulations cover all stages of the production, processing, distribution and placing on the market of food intended for human consumption. The general rules in this field are set out by the Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 setting out the general principles and requirements of food law, establishing the European Food Safety Authority and setting out procedures in matters of food safety, directly applicable in all EU member states.

All food business operators (other than at the level of primary production) in the EU are required to apply the principles of the system of hazard analysis and critical control points (HACCP) introduced by the Codex Alimentarius (code of international food standards drawn up by the United Nations Food and Agriculture Organization). At EU level such requirement to comply with HACCP principles is set out by Regulation (EC) No 852/2004 of the European Parliament and of the Council of 29 April 2004 on the hygiene of foodstuffs, which is directly applicable in all EU member states, including Romania and Poland. These principles prescribe a certain number of requirements to be met throughout the cycle of production, processing and distribution in order to permit, via hazard analysis, identification of the critical points which need to be kept under control in order to guarantee food safety. In addition, we are required to set up traceability systems and procedures for ingredients, foodstuffs and, where appropriate, animals used for food production.

When we identify that a foodstuff presents a serious risk to health we must immediately withdraw that foodstuff from the market and inform users and the competent authority. We are subject to registration requirements with local authorities and are required to keep these authorities informed of any changes (e.g., closure of the establishment). We are also subject to inspection by the local authorities of our processing, management and production systems, the origin and destination of production inputs and outputs for the purpose of enabling the local authorities to verify that all these items conform to legal requirements.

Foodstuffs imported into the EU are required to comply with the EU hygiene standards or with equivalent standards. The EU and domestic legislation sets out preventive health measures on intra-community trade of animals and products of animal origin, as well as measures for action when diseases are suspected or have occurred. Foodstuffs of animal origin exported out of the EU shall at least comply with the requirements that would apply if they were marketed within the EU, as well as to any requirements that may be imposed by the importing country.

The EU has among the world's highest standards of animal welfare. The overall framework for EU action on animal welfare is set out in the EU Animal Welfare Strategy 2012-2015. Harmonised EU rules are in place covering a range of animal species and welfare-affecting issues. Council Directive 2008/120/EC sets out the minimum standards for the protection of pigs (transposed in Romania by the National Sanitary Veterinary and Food Safety Authority Order No. 202/2006 on the approval of Sanitary Veterinary Norms on the minimum standards for the protection of pigs and in Poland by Ordinance of the Minister of Agriculture and Rural Development of February 15, 2010, on the requirements and mode of procedure aimed at welfare of farm animals, for which the protection norms have been specified in EU regulations (Journal of Laws No. 56, item 334, as amended), which apply to all categories of pigs kept for rearing and fattening, while other EU legislation sets welfare standards for farmed animals during transport and at the time of stunning and slaughter.

The EU promulgates minimum labor requirements that govern employment conditions. These conditions vary depending on various factors and may include the need to perform risk assessments per type of work, ensure work safety training for all workers, both at the beginning of the employment and periodically throughout their activity, to secure appropriate equipment and support documentation for the operation of various tools. EU member states then model their national law to guarantee worker protections that fall within these European requirements. The labor laws in the EU are generally more advantageous to employees as compared to the PRC and the U.S., including minimum annual leave, deemed hourly/monthly minimum wage and overtime regulations in these jurisdictions (e.g., Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organization of working time, Official Journal L 299, 18/11/2003 P. 0009 - 0019; Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, Official Journal L 303, 02/12/2000 P. 0016 — 0022; Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work, Official Journal L 183 , 29/06/1989 P. 0001 - 0008).

REGULATORY APPROVALS

No shareholders' or regulatory approval is required in connection with the Listing or the Global Offering, save as otherwise disclosed in this prospectus.

OUR HISTORY

Introduction

The Company was incorporated as an exempted limited liability company in the Cayman Islands on March 2, 2006.

The Company conducts its business primarily in the PRC, the U.S. and key markets in Europe. Our business in the PRC is conducted through the subsidiaries of Shuanghui Group, and primarily consists of hog production, production, marketing and sales and distribution of fresh pork and packaged meat products, and other ancillary businesses which mainly include manufacturing and sales of packaging materials, provision of logistic services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceutical materials. Our business in the U.S. and other countries is conducted through the subsidiaries of Smithfield, and comprises a wide variety of businesses including hog production and the production, marketing, sales and distribution of fresh meat and packaged meats products both in the U.S. and internationally.

History of Our PRC Business

Shuanghui Group

The history of our PRC business can be traced back to Luohe Cold Storage (漯河市冷凍廠), which was established by investment from the then commerce bureau of the local government in 1958. It was renamed as Henan Luohe Meat Products Processing United Factory (河南省漯河肉類聯合加工廠) in 1977. Mr. Wan Long, our Chairman and Chief Executive Officer, was elected to be the head of Henan Luohe Meat Products Processing United Factory in 1984. In 1989, the "Shuanghui (雙匯)" brand was created and in 1992, the first ham sausage under the "Shuanghui" brand was introduced into the market. In 1994, Shuanghui Group was established as a state-owned enterprise with a registered capital of RMB232.6 million, owning and operating two local state-owned enterprises, Henan Luohe Meat Products Processing United Factory and Luohe Canned Foods Company Limited (漯河罐頭食品股份有限公司), in Henan Province. The local state-owned asset authority held 100% ownership interests in Shuanghui Group. After its establishment, Shuanghui Group engaged in a series of acquisitions and investments that continuously expanded the size and scope of its meat processing operations.

Listing of Shuanghui Development

In October 1998, Shuanghui Development was established under the name of Henan Shuanghui Industrial Co., Ltd. (河南雙匯實業股份有限公司). Shuanghui Development primarily conducted the businesses of meat processing, the production and sale of packaged meat products and certain ancillary operations. In December 1998, Shuanghui Development was listed on the Shenzhen Stock Exchange under the stock abbreviation of "Shuanghui Industrial" ("雙匯實業"). Upon listing, the registered capital of Shuanghui Development was RMB173.0 million, with Shuanghui Group holding 71.1% of Shuanghui Development's shares and public shareholders holding the remaining 28.9%. Shuanghui Development was subsequently renamed as Henan Shuanghui Investment & Development

Co., Ltd. (河南雙匯投資發展股份有限公司) in 2000, and the stock abbreviation was changed to "Shuanghui Development" ("雙匯發展"). As of the Latest Practicable Date, Shuanghui Group was the controlling shareholder of Shuanghui Development, holding approximately 60.24% of the shares of Shuanghui Development.

Acquisition of Shuanghui Group by Rotary Vortex

In May 2006, Rotary Vortex, through a public tender process administered in accordance with applicable PRC laws, agreed to acquire from the local state-owned asset authority 100% equity interest in Shuanghui Group for a consideration of RMB2,010 million (approximately US$252.1 million, at 2006 average annual exchange rate of US$1.00: RMB7.9718 according to China Statistical Yearbook) in cash. The acquisition was duly approved by the PRC authorities including SASAC, MOFCOM and CSRC. When the acquisition was completed in October 2007, Shuanghui Group held 30.267% of the issued share capital of Shuanghui Development. This amount was down from 71.1% it held upon establishment of Shuanghui Development, primarily reflecting subsequent share issuances by Shuanghui Development in connection with a follow-on equity offering, issuance of share dividends, the sale by Shuanghui Group of 25% of the issued share capital of Shuanghui Developemt to a third party, and the tender offer for shares of Shuanghui Development that was triggered by such acquisition as well as a non-tradable share reform of Shuanghui Development pursuant to PRC laws and regulations.

In addition, Rotary Vortex directly acquired 25% of the issued share capital of Shuanghui Development in May 2006 from the same third party, in consideration of RMB562.2 million (approximately US$70.5 million, at 2006 average annual exchange rate of US$1.00: RMB7.9718 according to China Statistical Yearbook) in cash. At the time of the acquisition, Rotary Vortex was owned by Goldman Sachs as to 51% and CDH Shine as to 49%. In accordance with its memorandum and articles of association, the board of directors of Rotary Vortex comprised two directors, one of whom should be appointed by each of Goldman Sachs and CDH Shine, respectively. As such, Goldman Sachs and CDH Shine exercised joint control over Rotary Vortex.

Acquisition of Rotary Vortex by the Company

The Company was incorporated as an exempted limited liability company in the Cayman Islands on March 2, 2006. In April 2006, the Company was acquired by Shine B. As of October 15, 2007, Shine B was owned by (i) CDH Shine as to 50%, (ii) Goldman Sachs as to 30%, (iii) Dunearn Investments (Mauritius) Pte Ltd, an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited, which is owned by the Minister for Finance, Singapore, as to 12%, and (iv) Focus Chevalier Investment Co., Ltd, a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner is New Horizon Partners Ltd., as to 8%.

Similarly as to Rotary Vortex, Shine B was jointly controlled by Goldman Sachs and CDH Shine in that Shine B's board of directors comprised two directors, with each of Goldman Sachs and CDH Shine appointing one of these directors.

On October 15, 2007, as a reorganization transaction, the Company, through its wholly owned subsidiary Glorious Link, acquired 100% equity interests in Rotary Vortex from Goldman Sachs and CDH Shine. Since both Shine B and Rotary Vortex were jointly controlled by Goldman Sachs and CDH Shine, the Company's acquisition of Rotary Vortex was accounted for as a transaction under common control.

Acquisition of Peace Arts by the Company

On October 16, 2007, the Company acquired 100% equity interest in the parent company of Peace Art Investments Limited ("**Peace Arts**"), a holding company which, through seven subsidiaries and nine associates, owned and operated a portfolio of businesses in the PRC ancillary to our existing PRC operations including production and sales of packaging materials and flavoring products ("**Peace Arts Assets**"). The sellers of Peace Arts Assets in such transaction were (i) Heroic Zone, which was a wholly owned subsidiary of Rise Grand, holding a 65.54% interest, (ii) Richy Fast Limited, which was majority-owned by Kerry Holdings Limited (an investment holding company incorporated in Hong Kong), holding a 15.73% interest, and (iii) Profit Summit Investments Limited, which is wholly owned by Mr. Cao Junsheng, one of the Company's Directors from October 16, 2007 to December 31, 2013, holding a 18.73% interest. For more information about Rise Grand, please see the section headed "— Shareholding Changes During Track Record Period — Shareholding Structure at Beginning of Track Record Period".

As consideration for the acquisition, the Company issued (i) 318,182 shares of a par value of US$1.00 per share, representing 31.82% of its then issued share capital on a diluted basis, in exchange for Heroic Zone's 65.54% interest, (ii) 76,364 shares of a par value of US$1.00 per share, representing 7.64% of its then issued share capital on a diluted basis, in exchange for Richy Fast Limited's 15.73% interest, and (iii) 90,909 shares of a par value of US$1.00 per share, representing 9.09% of its then issued share capital on a diluted basis, in exchange for Profit Summit Investments Limited's 18.73% interest. This consideration was determined based on arm's length negotiation between the parties. Peace Arts was subsequently dissolved in February 2009 to simplify the holding structure.

Share Issuance and Transfer to Chang Yun

To recognize and reward the contribution of certain employees to the Group, provide incentives to retain them to support the continued growth of the Group, and attract suitable personnel for further development, the Company adopted the 2010 Share Award Plan on November 26, 2010.

Teeroy Limited, a company incorporated under the laws of Hong Kong, was designated as the trustee administering the 2010 Share Award Plan. Pursuant to a shareholders' resolution of the Company passed on November 26, 2010 and relevant procedures, Chang Yun, a wholly owned subsidiary of the trustee incorporated in the BVI, obtained 631,580,000 Shares, representing 6.00% of the Company's then enlarged issued share capital. The pool of Shares held by Chang Yun comprised (i) 10,526 shares of a par value of US$1.00 per share that were transferred indirectly from Shine B to the trustee, which were then subdivided into 105,260,000 Shares and (ii) 526,320,000 Shares allotted and issued by the Company in consideration of US$52,632 paid by the trustee.

Under the 2010 Share Award Plan, our Chairman is entitled to select, as the recipient of a share award, any employee of the Company (excluding any non-executive director), its subsidiaries and entities in which any member of the Group holds any equity interest. The Chairman is also entitled to decide the number of Shares awarded, proposed vesting date, performance target for vesting, lock-up period and other terms and conditions, considering the pre-tax and after-tax net profit of the Company from 2012 to 2014. A recipient shall not transfer or otherwise dispose of any interest in the vested Shares to any third party, unless (i) subject to the Chairman's approval, the purpose of transfer or disposal is to finance any tax payable on account of the vested Shares or (ii) a period of five years from the vesting date has elapsed.

On December 26, 2012, we notified certain employees of the Group, including but not limited to three of our Directors, Messrs. Guo Lijun, Yang Zhijun and Zhang Taixi, that we would consider awarding up to specified numbers of Shares to the relevant employees under the 2010 Share Award Plan, subject to the terms and conditions decided by our Chairman and provided that a set of performance targets of the Company from 2012 to 2014 had been achieved. The notifications confirmed that no right or interest had been conferred on the recipients of the notifications. For each of Messrs. Guo Lijun, Yang Zhijun and Zhang Taixi, to whom the maximum amount of Shares that we might award after December 31, 2014 as specified in the relevant notifications were 34,736,901 Shares, 34,736,901 Shares and 53,684,301 Shares, respectively, depending on the actual performances of the Company from 2012 to 2014. The notifications also required each of the recipients to agree to provide, upon being awarded any Shares under the 2010 Share Award Plan, an irrevocable undertaking authorizing Heroic Zone to exercise the voting rights of any awarded Shares. Each of the recipients, including but not limited to Messrs. Guo Lijun, Yang Zhijun and Zhang Taixi, confirmed and agreed to the requirements of the notifications. We currently expect that all awarding conditions under the 2010 Share Award Plan will be achieved and all relevant Shares will be awarded ultimately.

Before the underlying Shares of the 2010 Share Award Plan are awarded, Chang Yun is obligated to exercise the voting rights in respect of the relevant Shares in accordance with the direction given by the Company from time to time. On November 26, 2010, the Company instructed Chang Yun to exercise such voting rights in accordance with the direction of Heroic Zone, a wholly owned subsidiary of Rise Grand, as given in its absolute discretion. Because of the acquisition of control by Rise Grand over the Company and ultimately over Shuanghui Development, Rise Grand was required under PRC laws and regulations to make a tender offer for the shares of all public shareholders of Shuanghui Development. Rise Grand declared in the tender offer, effective from November 21, 2011 to December 20, 2011, that the tender offer was made pursuant to the requirements of PRC laws and regulations and it did not intend to take Shuanghui Development private. As a result, no publicly held shares of Shuanghui Development were tendered.

The 2010 Share Award Plan will terminate on November 26, 2020 or any earlier date determined by our Board. For more details about the share awards made under the 2010 Share Award Plan, please see Note 39 to section E of the Accountants' Report of the Group set out in Appendix IA to this prospectus.

Increase of Our Interests in Shuanghui Development

In order to rationalize the organizational structure of our PRC operations, resolve business competition issues between Shuanghui Group and Shuanghui Development and reduce related party

transactions between Shuanghui Group and Shuanghui Development, our Board resolved on November 26, 2010 that (i) 22 subsidiaries directly held by Shuanghui Group, five subsidiaries held by Shuanghui Group and Rotary Vortex, and minority interests directly held by Rotary Vortex in two associates, which were primarily engaged in the businesses of slaughtering, meat processing and other related operations (the "**Injected Assets**"), should be injected into Shuanghui Development, and (ii) 85% equity interests owned by Shuanghui Development (the "**Disposed Assets**") in Shuanghui Logistics, a company primarily engaged in food distribution logistics business, an ancillary service for our core business, through 15 subsidiaries at that time, should be transferred to Shuanghui Group. Pursuant to the agreement entered into between Shuanghui Group and Shuanghui Development to effect the asset swap, Shuanghui Development agreed to issue shares to Shuanghui Group and Rotary Vortex to compensate for the surplus value of the Injected Assets to be received by Shuanghui Development over the value of the Disposed Assets to be transfered by Shuanghui Development in connection with such asset swap. The proposed asset swap and issuance by Shuanghui Development were duly approved by the shareholders of Shuanghui Development in December 2010 and by the CSRC in May 2012. All other governmental approvals and registrations in relation to the asset swap were obtained and completed by December 31, 2012.

Based on a valuation by an independent valuation firm engaged by Shuanghui Development, the Injected Assets were valued at approximately RMB27.577 billion, while the Disposed Assets were valued at approximately RMB1.530 billion (the "**Disposed Assets Valuation**"), each as of August 31, 2011, considering their respective future earning potentials. To compensate for the surplus value received by Shuanghui Development from the asset swap, Shuanghui Development issued shares representing 44.924% of its then issued share capital on a fully diluted basis ("**Shuanghui Development Issued Shares**"), with 43.574% to Shuanghui Group and 1.350% to Rotary Vortex. Upon completion of the share issuance on July 11, 2012, Shuanghui Development was owned as to 60.24% by Shuanghui Group, as to 13.02% by Rotary Vortex and as to 26.74% by public shareholders. For more information regarding the organizational structure of our PRC operations as of the Latest Practicable Date, please see the section headed "— Corporate Structure — Organizational Structure — Organization Structure of Our PRC Operations."

As the Injected Assets were evaluated on the basis of specified performance forecasts, Shuanghui Group and Rotary Vortex agreed that, in the event of any cumulative shortfall against the aggregate specified performance targets for the Injected Assets for 2012, 2013 and 2014 ("**Aggregate Performance Target**"), (i) Shuanghui Development would repurchase from Shuanghui Group and Rotary Vortex, at the nominal consideration of RMB1.00, the number of shares of Shuanghui Development bearing the same ratio to the number of Shuanghui Development Issued Shares as the cumulative shortfall bears to the Aggregate Performance Target, and (ii) Shuanghui Group and Rotary Vortex would pay back Shuanghui Development an amount of cash bearing the same ratio to the Disposed Assets Valuation as the cumulative shortfall bears to the Aggregate Performance Target (such repurchased shares and amount of cash, the "**Shortfall Compensation**"). In addition, at the end of 2014, Shuanghui Development shall conduct an impairment test for the Injected Assets and, in the event of any impairment to be recognized by Shuanghui Development, Shuanghui Group and Rotary Vortex agreed that a share repurchase and cash payment shall be carried out (if necessary) on the same basis as that described in the previous sentence to fully compensate Shuanghui Development for any recognized impairment or, if Shortfall Compensation was already received, for any recognized impairment offset by the Shortfall Compensation. The specified performance targets for Injected

Assets were net profit of RMB1,912.15 million, RMB2,484.95 million and RMB3,146.97 million for 2012, 2013 and 2014, respectively. The Injected Assets achieved and surpassed the specified performance targets for 2012 and 2013, recording a net profit of RMB1,980.17 million and RMB2,821.48 million, respectively, according to the public announcements of Shuanghui Development. We are not aware of any indication, as of the Latest Practicable Date, that the Injected Assets will not achieve the performance target for 2014, or that the Injected Assets may be impaired at the end of 2014. In addition, with respect to certain construction-in-progress projects of the Injected Assets that were forecast to be completed and commence operation by December 31, 2014, Shuanghui Group and Rotary Vortex agreed to compensate Shuanghui Development through a similar share repurchase mechanism (with necessary adjustment) for any shortfall against estimates of net profits of those projects that are not completed by December 31, 2014. We are not aware of any indication, as of the Latest Practicable Date, that we may not be able to complete any of the above construction-in-progress projects by December 31, 2014 and we do not expect to be liable for any shortfall related to these projects. Please see the section headed "Risk Factors — Risks Relating to Our Business — We face risks relating to our relationship with our A Share listed company in China."

As part of the transaction described above, each of Mr. Wan Long, Rise Grand, the Company, Rotary Vortex and Shuanghui Group ("**Obligors**") (i) undertook to Shuanghui Development that, among other things, the Obligors would not, and would cause each entity controlled by any Obligor (other than Shuanghui Development and its subsidiaries) not to, conduct any hog production, slaughtering, meat processing and other meat-related operations in PRC that could compete with the primary business of Shuanghui Development, and (ii) granted to Shuanghui Development a right of first refusal vis-a-vis such Obligor and the entities controlled by such Obligor (other than Shuanghui Development and its subsidiaries) to invest in any business opportunity that may compete against the existing primary meat related businesses of Shuanghui Development.

Our Acquisition of Smithfield by Way of Merger

History and Development of Smithfield

Smithfield began as a pork processing operation called The Smithfield Packing Company, founded in 1936 by Joseph W. Luter and his son, Joseph W. Luter, Jr. Through a series of acquisitions starting in 1981, Smithfield became the largest pork processor and hog producer in the world.

Smithfield was incorporated under the laws of the Commonwealth of Virginia on July 25, 1997 and became listed on The New York Stock Exchange on September 28, 1999.

Smithfield's operations primarily comprise hog production and the production, marketing, sales and distribution of fresh pork and packaged meats products in the U.S., Poland and Romania as well as sales and distribution in the United Kingdom. It also holds an approximately 37% equity interest in Campofrio, a meat processing company focused on packaged meats in Western Europe, and holds equity interests in hog production and meat processing operations in Mexico. For the organizational structure of Smithfield's business operations, please see the section headed "— Corporate Structure — Organizational Structure — Organizational Structure of our U.S. and international operations".

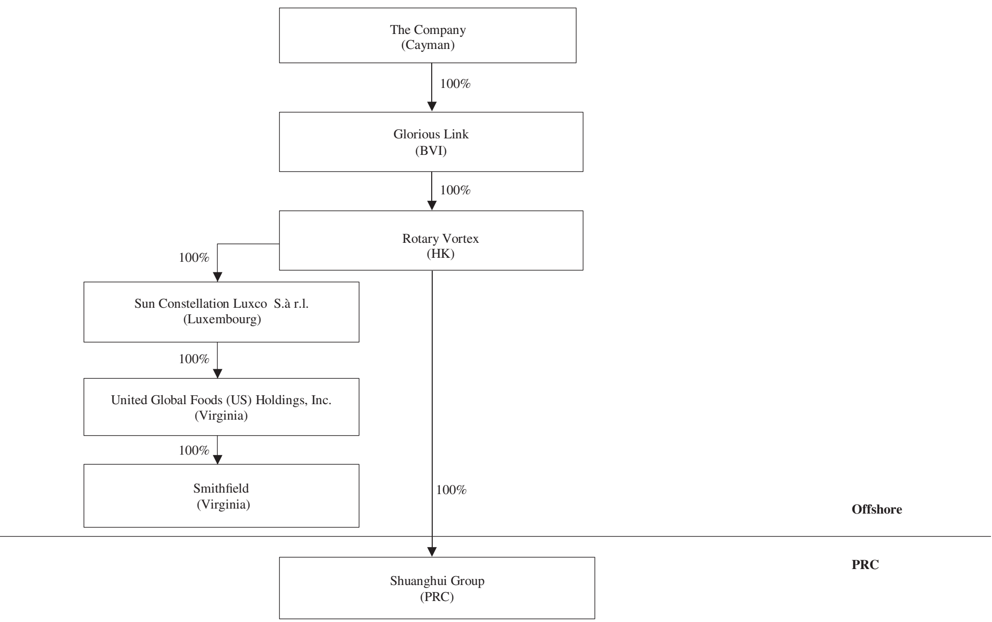
Merger with Smithfield

On May 28, 2013, the Company entered into the Merger Agreement with Smithfield and Merger Sub. Pursuant to the Merger Agreement, Merger Sub would merge with and into Smithfield, with Smithfield surviving the merger as an indirect wholly owned subsidiary of the Company. A special meeting of shareholders of Smithfield was held on September 24, 2013, at which the shareholders voted upon and approved the Merger Agreement, the related plan of merger and the merger. At the time of the shareholders' meeting, all regulatory clearances and approvals required under the Merger Agreement had been obtained.

On September 26, 2013, Smithfield duly completed the merger with Merger Sub pursuant to the Merger Agreement. Smithfield also notified The New York Stock Exchange on the same date that each outstanding share of the common stock of Smithfield ("**Smithfield Common Stock**") was cancelled and converted into the right to receive the merger consideration (as described below). As a result, the shares of Smithfield Common Stock were de-listed from The New York Stock Exchange. On October 11, 2013, Smithfield filed with the SEC a certification and notice to terminate the registration of Smithfield Common Stock under the U.S. Exchange Act and to suspend Smithfield's reporting obligations under Section 13 and 15(d) of the U.S. Exchange Act. Smithfield voluntarily files with the SEC the periodic reports prescribed by the SEC under Section 13(a) of the U.S. Exchange Act. As an indirect, wholly-owned subsidiary of the Company upon completion of the Merger, Smithfield is no longer subject to the periodic reporting obligations under the U.S. Exchange Act. However, the indentures governing certain of Smithfield's senior debt contain covenants that require Smithfield to file such reports as if it were subject to those reporting requirements. Accordingly, Smithfield currently files with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports contain financial and other information regarding Smithfield and its subsidiaries. The periodic reports filed by Smithfield with the SEC are available to the public at the internet website maintained by the SEC. As a voluntary filer, Smithfield may discontinue filing periodic reports at any time, subject to the terms of the indentures governing its senior debt.

The Merger was the Group's first overseas acquisition. Please see the section headed "Risk Factors — Risks Relating to Our Business — We have recently completed a major acquisition and may experience difficulties managing and integrating operations or otherwise fail to achieve the desired benefits from the acquisition."

The following chart sets forth the simplified organizational structure of the Group upon completion of the Merger with Smithfield on September 26, 2013.



Merger Consideration

Pursuant to the Merger Agreement, each issued and outstanding share of Smithfield Common Stock was converted into the right to receive US$34.0 in cash, without interest and less any applicable withholding taxes. Shares of the Smithfield Common Stock held by the Company or Merger Sub and by Smithfield or any wholly owned subsidiary of Smithfield were not entitled to receive any consideration. The consideration was determined through arm's length negotiations between Smithfield and the Company, taking into account a number of factors, including, among other things, the market prices of Smithfield Common Stock during the relevant periods and current business conditions and future prospects of Smithfield. On September 26, 2013, the Company deposited approximately US$4,735 million in cash with a paying agent to be held in trust for the benefit of all holders of shares of Smithfield Common Stock, which would in turn pay the consideration to the shareholders of Smithfield Common Stock in accordance with the Merger Agreement. Additionally, all outstanding stock-based compensation awards of Smithfield were converted into the right to receive the merger consideration, less the exercise price of such awards, if any. The total purchase consideration in connection with the Merger was approximately US$4.9 billion.

Financing of the Merger

The sources of funds used to finance the Merger and other transactions contemplated by the Merger Agreement, including all related fees and expenses and other transactions related to the Merger, primarily included (i) a drawdown of the Syndicated Term Loan, (ii) net proceeds from the issuance of US$900 million aggregate principal amount of senior unsecured notes by Merger Sub on July 31, 2013, comprised of US$500 million aggregate principal amount of 5.250% senior notes due 2018 and US$400 million aggregate principal amount of 5.875% senior notes due 2021, (iii) drawings

under certain existing facility agreement of Smithfield, and (iv) cash on hand of the Company. The other transactions contemplated by the Merger Agreement primarily included the repayment by Smithfield of certain existing indebtedness in connection with the change of control resulting from the Merger.

The table below summarizes the primary sources and uses of funds in connection with the Merger and other transactions contemplated by the Merger Agreement.

Sources of funds		**Uses of funds**	
(US$ million)		**(US$ million)**	
Net proceeds from Syndicated Term Loan	3,925		
Net proceeds from senior unsecured notes issued by Merger Sub	900	Total purchase consideration	4,903
Cash on hand at the Company	319	Repayment of term loan from Bank of America*	200
Drawings under existing facility agreement of Smithfield	160	Fees, expenses and other transaction costs	201
Total sources of funds	5,304	Total uses of funds	5,304

* For more details about the term loan from Bank of America, please see Note 7 to the audited consolidated financial statements of Smithfield for the Smithfield Fiscal Year 2013 set out in Appendix IB to this prospectus.

Pursuant to the facilities agreement for the Syndicated Term Loan, if (i) the Company or any subsidiary guarantor party thereto issues any debt securities, or (ii) the shares or securities of the Company, any subsidiary guarantor party thereto or Smithfield *(x)* become listed or admitted to trading on any stock or securities exchange or market, or *(y)* are the subject of any sale or issuance by way of listing, flotation or public offering, we must promptly apply the net proceeds, receivable or received by the Company, any subsidiary guarantor party thereto or Smithfield, towards repayment of the then outstanding Syndicated Term Loan. Following completion of the Global Offering, we intend to use part of the net proceeds from the Global Offering to fully repay the Syndicated Term Loan. We also intend to use part of the net proceeds to repay other borrowings that were sources of funds in connection with the Merger and other transactions contemplated by the Merger Agreement. For more details, please see the section headed “Future Plans and Use of Proceeds — Use of Proceeds”.

Investment in Campofrio

Prior to our acquisition of Smithfield, Smithfield already held an approximately 37% equity interest in Campofrio, a meat processing company focused on packaged meats in Western Europe, currently listed on the Madrid and Barcelona stock exchanges. Smithfield has the right to appoint two directors to the board of directors of Campofrio, which currently consists of seven directors. Our acquisition of Smithfield meant an indirect change of control in Campofrio and, therefore, triggered a requirement under Spanish securities law that obligated us to either (i) reduce our voting equity interest in Campofrio to below 30%, or (ii) launch a tender offer for 100% of the outstanding shares of Campofrio within three months of the completion of our acquisition of Smithfield.

On January 1, 2014, we entered into an agreement with Sigma Alimentos S.A. de C.V. ("**Sigma**") and certain of its affiliates to launch a joint tender offer for 100% of the outstanding shares of Campofrio. As such, we are in compliance with the legal obligation described above. Pursuant to our agreement with Sigma, we would continue to own an approximately 37% equity interest in Campofrio upon completion of the joint tender offer, while Sigma, which already beneficially owned an approximately 45% equity stake in Campofrio as of the Latest Practicable Date, agreed to fund the purchase of any Campofrio shares that are tendered in the joint tender offer. The agreement also provides for the de-listing of Campofrio. We and Sigma are currently seeking authorization from the Spanish securities regulator for the joint tender offer.

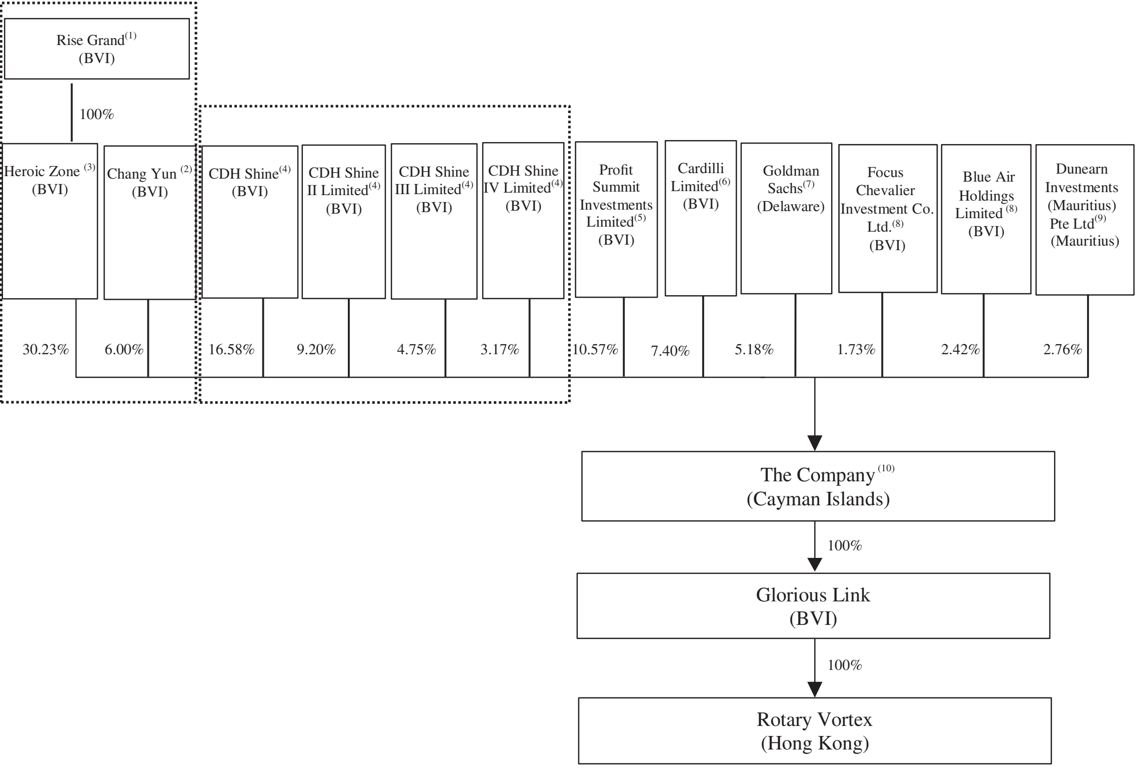
Pursuant to our agreement with Sigma, the parties have agreed to execute a shareholders agreement in respect of Campofrio on the business day following the date on which the results of the joint tender offer are officially announced by the Spanish securities regulator, the form of which shareholders agreement has already been agreed. According to the agreed form of the shareholders agreement, we would be entitled to appoint three directors to the board of directors of Campofrio, while Sigma would be entitled to appoint four directors, including the board chairman. The agreed form of the shareholders agreement requires approval of three-fourths of shareholders for certain material corporate actions in respect of Campofrio. It also requires approval of two director appointees of each of us and Sigma in respect of certain board actions, including, inter alia, appointment of the CFO of Campofrio. In the event of certain deadlock scenarios at the board of directors or meeting of shareholders of Campofrio, Sigma would ultimately be entitled to unilaterally resolve the relevant matters except the appointment of the CFO of Campofrio, which shall be decided by us. We also have the right (i) exercisable starting three years after the date of the shareholders agreement and thereafter once per year, to remove the executive chairman for cause (as defined in the shareholders agreement), and (ii) exercisable starting two years after the date of the shareholders agreement and thereafter once per year, to remove the CEO or the CFO for cause (as defined in the shareholders agreement). Regarding share transfers under the agreed form of the shareholders agreement, both us and Sigma would have a right of first refusal to purchase all the Campofrio shares proposed to be sold by the other party, and we would have tag-along rights to participate on a pro rata basis in any sale of Campofrio shares by Sigma, subject in each case to the exception of transfers of shares to an affiliate. Furthermore, during the period starting three years after the date of the shareholders agreement and ending on the date that is four months thereafter, either party (the "**Offering Party**") has the right to make an irrevocable binding offer to purchase from the other party (the "**Offered Party**") all of the shares that the Offered Party beneficially owns in Campofrio at a specified price (the "**Buyout Offer**"), provided that the Buyout Offer shall also include an irrevocable binding offer to sell all of the shares that the Offering Party beneficially owns in Campofrio to the Offered Party at the same specified price. Thereafter, the Offered Party must deliver to the Offering Party an irrevocable binding written acceptance of either (i) the Offering Party's offer to purchase all of the Campofrio shares that the Offered Party beneficially owns, or (ii) the Offering Party's offer to sell all of the Campofrio shares that the Offering Party beneficially owns.

SHAREHOLDING CHANGES

Shareholding Structure at Beginning of Track Record Period

To ensure the long-term sustainable development and growth of the Group, we underwent a series of transactions to streamline and simplify the offshore shareholding structure of the Company during the Track Record Period.

As of January 1, 2011, the issued share capital of the Company amounted to US$1,052,632, divided into 10,526,320,000 Shares. The following chart sets forth the offshore shareholding structure of the Group on January 1, 2011.



Notes:

(1) Rise Grand is a company limited by shares organized and existing under the laws of BVI. Rise Grand is beneficially owned by the participants in the Heroic Zone Share Plan ("**HSP Participants**"), which numbered 325 in total as of the Latest Practicable Date. The HSP Participants include Messrs. Wan Long, Yang Zhijun, Guo Lijun and Zhang Taixi, who are our Directors and holding 14.47%, 0.87%, 1.24% and 0.02% of the beneficial interests in Rise Grand, respectively. Except for Mr. Wan Long, our Chairman and Chief Executive Officer who holds 14.47%, no HSP Participant holds more than 10% beneficial interests in Rise Grand. Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian, all employees of the Group, hold the legal title of the 100% equity interests of Rise Grand in joint tenancy and as trustees ("**HSP Trustees**") for the benefit of all HSP Participants. These arrangements were in the Heroic Zone Share Plan. Under the Heroic Zone Share Plan, the HSP Trustees shall act in accordance with the instructions of an employee share committee ("**ESC**"). The members of the ESC, currently including Messrs. Wan Long, Yang Zhijun and the HSP Trustees, are elected by the

general meeting of HSP Participants for a term of three years. Unless approved by the ESC or otherwise as permitted under the Heroic Zone Share Plan, no HSP Participant may dispose of any interest in Rise Grand in any manner. Other than to the other HSP Participants, an HSP Participant shall not transfer any interest in Rise Grand to any third party. All required SAFE registrations with respect to the HSP Participants have been duly completed as of the Latest Practicable Date.

(2) Chang Yun is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone.

(3) Heroic Zone held 31.82% of the Company's issued share capital as of October 16, 2007, which was diluted down to 30.23% due to the issuance of 526,320,000 Shares to Chang Yun on November 26, 2010.

(4) CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited are all, directly or indirectly, wholly owned by China Shine Group Limited. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited, which is wholly owned by CDH China Growth Capital Holdings Company Limited. CDH China Growth Capital Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

(5) Profit Summit Investments Limited is a business company incorporated in the BVI on January 25, 2006. It is wholly owned by Mr. Cao Junsheng, who was one of our Directors until December 31, 2013.

(6) Cardilli Limited is incorporated in the BVI on January 30, 2007. It is majority-owned by Kerry Holdings Limited, an investment holding company incorporated in Hong Kong.

(7) Goldman Sachs is an indirectly wholly owned subsidiary of The Goldman Sachs Group, Inc., which is incorporated under the laws of the State of Delaware, U.S.A. and listed on The New York Stock Exchange (NYSE: GS).

(8) Focus Chevalier Investment Co., Ltd. is a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner is New Horizon Partners Ltd. Blue Air Holdings Limited is wholly owned by New Horizon Capital III, L.P, whose general partner is New Horizon Capital Partners III Ltd. Blue Air Holdings Limited is under common control with Focus Chevalier Investment Co., Ltd.

(9) Dunearn Investments (Mauritius) Pte Ltd is a company incorporated in Mauritius on April 29, 2004. It is an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which is owned by the Minister for Finance, Singapore.

(10) The percentage figures of the Company's shareholding structure are subject to rounding adjustments, leading to minor discrepancy between 100% and the sum of all Shareholders' interest.

Shareholding Changes During Track Record Period

High Zenith

To incentivize and attract talent for the further development of the Group following the acquisition of Smithfield, our Board adopted the 2013 Share Award Plan on October 23, 2013. Teeroy Limited was designated as the trustee for administering the 2013 Share Award Plan. The pool of 350,877,333 Shares subject to the 2013 Share Award Plan, representing approximately 3% of the Company's then issued share capital on a fully diluted basis, were allotted and issued to High Zenith, the trustee's wholly owned special purpose vehicle incorporated in the BVI, on October 23, 2013 for a consideration of approximately US$35,088.

Under the 2013 Share Award Plan, Mr. Wan Long and Mr. Jiao Shuge, both our Directors, are entitled to jointly select the recipients of share awards, who may include (i) any full-time or part-time employee or officer (including but not limited to any executive or non-executive director) of the Company, its subsidiaries and entities in which any member of the Group holds any equity interest, and (ii) any consultants, agents and advisers of the Company, its subsidiaries and entities in which any member of the Group holds any equity interest. Mr. Wan Long and Mr. Jiao Shuge are also entitled to jointly decide the number of Shares awarded, proposed vesting date, performance target for vesting, lock-up period and other terms and conditions.

High Zenith is contractually obligated to exercise the voting rights in respect of any Shares held under trust for the 2013 Share Award Plan in accordance with the direction given by the Company from time to time. On October 23, 2013, the Company directed High Zenith to exercise such voting rights in accordance with the direction of Heroic Zone as given in its absolute discretion.

The 2013 Share Award Plan will terminate on October 23, 2023 or any earlier date determined by our Board of Directors. As of the Latest Practicable Date, no award has been made under the 2013 Share Award Plan.

The Company also undertook the following share-based payment transactions on October 23, 2013:

- *4.9% Share Issuance to Sure Pass*. The Company allotted and issued 573,099,645 Shares, representing approximately 4.9% of the Company's then issued share capital on a fully diluted basis, to Sure Pass, a company organized and existing under the laws of the BVI and wholly owned by Mr. Wan Long.

- *2.1% Share Issuance to Rich Matrix*. The Company allotted and issued 245,614,133 Shares, representing approximately 2.1% of the Company's then issued share capital on a fully diluted basis, to Rich Matrix, a company organized and existing under the laws of the BVI and wholly owned by Mr. Yang Zhijun.

Each of Sure Pass and Rich Matrix has irrevocably undertaken to exercise the voting rights in respect of its Shares in accordance with the direction given by the Company from time to time. On October 23, 2013, the Company instructed Sure Pass and Rich Matrix to exercise such voting rights in accordance with the direction of Heroic Zone as given in its absolute discretion.

For more details about our 2013 Share Award Plan and other share-based payment transactions in 2013, please see Notes 10 and 39 to section E of the Accountants' Report of the Group set out in Appendix IA to this prospectus.

As a result of the issuances of Shares to High Zenith, Sure Pass and Rich Matrix on October 23, 2013, the issued share capital of the Company increased to approximately US$1,169,591, representing 11,695,911,111 Shares.

Profit Summit Investments Limited

Profit Summit Investments Limited ("**Profit Summit**") held 1,112,930,000 Shares as of January 1, 2011, representing approximately 10.57% of our then issued share capital.

Transfer of Shares

Based on arm's length negotiations and its financial planning considerations, Profit Summit entered into a sale and purchase agreement on December 9, 2011, under which it agreed to dispose of 99,528,421 Shares (representing approximately 0.95% of our then issued share capital) to Ascendent Shine (Cayman) Limited, a wholly owned subsidiary of Ascendent Capital Partners I, L.P., whose general partner is Ascendent Capital Partners I GP, L.P., which is an Independent Third Party. The disposal was completed on November 14, 2013 in accordance with the sale and purchase agreement.

On November 2, 2013, based on arm's length negotiations and its financial planning considerations, Profit Summit entered into a sale and purchase agreement under which it agreed to transfer 157,687,628 Shares, 146,686,165 Shares and 209,027,786 Shares to CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited, respectively, all of which are holding entities ultimately controlled by China Diamond Holdings Company Limited. The disposals were completed on November 14, 2013 in accordance with the sale and purchase agreement.

Upon completion of the disposals on November 14, 2013, Profit Summit continued to hold 500,000,000 Shares, representing 4.276% of our then issued share capital.

Issuance of Exchangeable Notes

On November 18, 2013, Profit Summit and Mr. Cao Junsheng entered into an exchangeable notes subscription agreement ("**Exchangeable Notes Subscription Agreement**") with Mountain King Investments Limited ("**Mountain King**"), a limited liability company incorporated on October 8, 2013 under the laws of the BVI, in respect of the subscription for (i) the tranche A secured exchangeable and redeemable notes due 2014 in the principal amount of US$142 million issued by Profit Summit to Mountain King on November 19, 2013 ("**Tranche A Notes**"), and (ii) the tranche B secured exchangeable and redeemable notes due 2014 in the principal amount of US$142 million issued by Profit Summit to Mountain King on November 29, 2013 ("**Tranche B Notes**", together with Tranche A Notes, "**Exchangeable Notes**"). The consideration was determined based on arm's length negotiations between Profit Summit and Mountain King with reference to, inter alia, publicly available financial information of certain principal subsidiaries of the Group, the market price of the shares of Shuanghui Development and the business prospects of the Group. Subscription of the Tranche A Notes was completed and the entire consideration was paid on November 19, 2013. Subscription of the Tranche B Notes was completed and the entire consideration was paid on November 29, 2013. The Exchangeable Notes are, according to their terms, exchangeable into Shares held by Profit Summit.

Principal Terms of the Exchangeable Notes and the Related Agreements

	Name of the Noteholder	Principal amount of the relevant Exchangeable Notes	Number of Shares to be exchanged upon full exchange of the relevant Exchangeable Notes	Cost per Share paid by the Noteholder	Effective discount to the Offer Price *(Note 1)*	Approximate percentage of shareholding in the Company immediately upon Listing *(Note 2)*
Tranche A Notes	Mountain King	US$142 million	180,555,655 Shares	HK$6.102	36.635%	1.235%
Tranche B Notes	Mountain King	US$142 million	138,450,368 Shares	HK$7.958	17.364%	0.947%

Notes:

1. Assuming the Offer Price will be fixed at the mid-point of the Offer Price range.

2. On a fully diluted basis (i) taking into account all of the new Shares that will be offered in the Global Offering, (ii) excluding any Shares that may be issued pursuant to any exercise of the Pre-IPO Share Options, and (iii) assuming that the Tranche B Notes will either be mandatorily or voluntarily exchanged into Shares.

The Tranche A Notes were issued on November 19, 2013 to Mountain King pursuant to the Exchangeable Notes Subscription Agreement in an aggregate principal amount of US$142 million. The Tranche B Notes were issued on November 29, 2013 to Mountain King pursuant to the Exchangeable Notes Subscription Agreement in an aggregate principal amount of US$142 million. Interest is payable on the Exchangeable Notes at the rate of the one-month London interbank offered rate for U.S. dollar administered by the British Banker Association plus 5% per annum accruing on a daily basis and payable semi-annually in arrears on the day which is 180 days after the issue date of the relevant Exchangeable Notes, and then also on the earlier of the date of exchange or the maturity date of the relevant Exchangeable Notes.

The Tranche A Notes have a term commencing on the issue date, being November 19, 2013, and maturing on November 18, 2014. The Tranche B Notes have a term commencing on the issue date, being November 29, 2013, and maturing on November 28, 2014.

If the exchange of the Exchangeable Notes into Shares has not occurred on or before their respective maturity dates, all (but not part) of such Exchangeable Notes shall be redeemed by Profit Summit on the relevant maturity dates. If an event of default occurs at any time after the issue date of the respective Exchangeable Notes, any holders of Tranche A Notes and/or Tranche B Notes ("**Noteholders**") may, with the confirmation of Mountain King, require Profit Summit to redeem all (but not part) of the outstanding Exchangeable Notes.

The redemption price payable upon redemption of the Exchangeable Notes shall be (a) 100% of the principal amount of the relevant Exchangeable Notes so redeemed together with (b) a further sum that will result in the relevant Noteholders receiving an internal rate of return of 25% per annum (calculated from the date of issue of the relevant Exchangeable Notes up to and including the relevant maturity date) on the principal amount of the relevant Exchangeable Notes so redeemed, deducting therefrom the aggregate amount of all the interest (but not any default interest paid pursuant to the terms of the Exchangeable Notes), if any, already paid to the Noteholder in relation to the relevant Exchangeable Notes so redeemed.

Upon a fully underwritten initial public offering of Shares of the Company and the listing of the Shares on the Stock Exchange, the New York Stock Exchange or any other internationally recognized stock exchange approved for this purpose by Mountain King (the "**IPO**"), all Tranche A Notes shall be mandatorily exchanged into Shares and such exchange shall occur immediately prior to the undertaking of the IPO.

According to the Exchangeable Notes Subscription Agreement, the aggregate number of Shares to be transferred to the Tranche A Noteholders upon such mandatory exchange of the Tranche A Notes shall represent 1.235% of the issued share capital of the Company immediately after the IPO (on a fully diluted basis taking into account all of the new Shares that will be offered in the IPO, but excluding (i) any Shares that may be issued pursuant to the exercise of any over-allotment option granted to any underwriters to the IPO, and (ii) the impact on the issued share capital of the Company pursuant to the exercise of options granted to employees of the Company under any employee share option scheme of the Company or any option scheme of the Company that satisfies the requirements of Chapter 17 of the Listing Rules).

Upon an IPO that occurs on or before the maturity date of the Tranche B Notes with a post-IPO money market capitalisation of no less than US$22 billion (to be determined immediately upon completion of the IPO and at the IPO price, without taking into account any enlargement of the issued share capital of the Company that may result from the issue of Shares pursuant to any over-allotment option that may be granted by the Company in favor of the underwriters in the IPO or the issue of Shares upon exercise of options granted under employee share schemes of the Company or any option scheme of the Company that satisfies the requirements of Chapter 17 of the Listing Rules) (the "**Qualified IPO**") and on the condition that the Shares exchanged pursuant to the Tranche B Notes shall not be subject to any restriction from disposal or transfer after such IPO, all Tranche B Notes shall be mandatorily exchanged into Shares and such exchange shall occur immediately prior to the undertaking of the Qualified IPO.

Upon the undertaking of an IPO that is not a Qualified IPO or in the event that the Shares exchanged pursuant to the Tranche B Notes shall be subject to any restriction from disposal or transfer after such IPO, the Tranche B Noteholders may elect to exchange all (but not part of) the Tranche B Notes into Shares or continue to hold the Tranche B Notes until the maturity date.

According to the Exchange Notes Subscription Agreement, the aggregate number of Shares to be transferred to the Tranche B Noteholders upon the aforementioned mandatory or voluntary exchange of all of the Tranche B Notes shall represent 0.947% of the issued share capital of the Company immediately after the IPO (on a fully diluted basis taking into account all of the new Shares that will be offered in the IPO, but excluding (i) any Shares that may be issued pursuant to the exercise of any over-allotment option granted to any underwriters to the IPO, and (ii) the impact on the issued share capital of the Company pursuant to the exercise of options granted to employees of the Company under any employee share option scheme of the Company or any option scheme of the Company that satisfies the requirements of Chapter 17 of the Listing Rules).

The obligations of Profit Summit in respect of the Exchangeable Notes are secured by, among others, (i) an equitable share mortgage over 150,000,000 Shares held by Profit Summit in favor of Mountain King in respect of the Tranche A Notes; (ii) an equitable share mortgage over 350,000,000 Shares held by Profit Summit in favor of Mountain King in respect of the Tranche B Notes (the "**Tranche B Equitable Share Mortgage**"); (iii) an equitable share mortgage granted by Mr. Cao Junsheng in favor of Mountain King in respect of the entire issued share capital of Profit Summit; and (iv) a personal guarantee granted by Mr. Cao Junsheng in favor of Mountain King (all such securities shall collectively be referred to as the "**Exchangeable Notes Securities**"). Pursuant to the equitable share mortgages over the 500,000,000 Shares held by Profit Summit in respect of Tranche A Notes and Tranche B Notes, Mountain King filed with the Grand Court of the Cayman Islands a stop notice on December 4, 2013, to the effect that no transfer of any of the 500,000,000 Shares held by Profit Summit shall be registered by the Company until 14 days after sending notice to Mountain King. Unless all of the Tranche A Notes are exchanged into Shares, the Exchangeable Notes Securities in respect of the Tranche A Notes will remain in full force and effect and the stop notice will continue to be in force until the Tranche A Notes are redeemed in full at maturity. Unless all of the Tranche B Notes are exchanged into Shares, the Exchangeable Notes Securities in respect of the Tranche B Notes will remain in full force and effect and the stop notice will continue to be in force until the Tranche B Notes are redeemed in full at maturity.

On the basis of the Offer Price range, the Global Offering will not constitute a Qualified IPO. Accordingly, the Tranche A Notes will be mandatorily exchanged into Shares held by Profit Summit in the Company and the Exchangeable Notes Securities provided in respect of the Tranche A Notes will be released immediately prior to Listing. The Tranche B Notes will not be mandatorily exchanged and Mountain King has not exercised its right to voluntarily exchange the Tranche B Notes into Shares. Mountain King has agreed to partially release the Tranche B Equitable Share Mortgage in relation to such number of Shares so as to faciliate the transfer of Shares from Profit Summit to Mountain King upon the exchange of the Tranche A Notes.

Background of Mountain King

Mountain King is a limited liability company incorporated on October 8, 2013 under the laws of the BVI, which is 100% owned by Multitasks Limited, a limited liability company incorporated on October 8, 2013 under the laws of the BVI, which is in turn 100% owned by BPZH Shine Limited, a limited liability company incorporated on November 11, 2013 under the laws of the BVI. 51% of the total issued ordinary shares and hence voting rights of BPZH Shine Limited is held by Mr. Law Siu Wah Eddie and 49% of the total issued ordinary shares and hence voting rights of BPZH Shine Limited is held by Mr. Chu Sheng Yu Lawrence.

As far as the Company is aware, the ultimate beneficial owners of Mountain King are Independent Third Parties.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the terms of the Exchangeable Notes are in compliance with the Interim Guidance on pre-IPO Investments issued by the Stock Exchange on October 13, 2010, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 (and updated in July 2013) and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012.

Cardilli Limited

Cardilli Limited held 779,310,000 Shares as of January 1, 2011, representing 7.40% of our then issued share capital.

On November 4, 2013, based on arm's length negotiations, Cardilli Limited entered into a sale and purchase agreement under which it agreed to transfer 119,679,750 Shares, 111,330,000 Shares and 158,645,250 Shares to CDH Shine V Limited, CDH V Sunshine I Limited, and CDH V Sunshine II Limited, respectively, all of which are holding entities ultimately controlled by China Diamond Holdings Company Limited.

Upon completion of the disposals on November 25, 2013, Cardilli Limited continued to hold 389,655,000 Shares, representing 3.332% of our then issued share capital.

Focus Chevalier Investment Co., Ltd.

Focus Chevalier Investment Co., Ltd. held 181,817,947 Shares as of January 1, 2011, representing 1.73% of our then issued share capital.

Focus Chevalier Investment Co., Ltd. is a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner is New Horizon Partners Ltd. As of November 25, 2013, the limited partners of New Horizon Fund, L.P. were (i) SBI Incubation No.1 Limited, a limited liability company incorporated in the Cayman Islands on November 12, 2013, which is indirectly wholly owned by SBI Holdings, Inc., an internet-based financial group based in Japan and listed on Tokyo Stock Exchange

(TOKYO: 8473) and the Stock Exchange (Stock Code: 6488), and (ii) MacRitchie Investments Pte. Ltd., a company incorporated in Singapore on May 30, 2003 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which in turn is owned by the Minister for Finance, Singapore.

As distributions in-kind made to the relevant parties, Focus Chevalier Investment Co., Ltd. transferred 78,181,717 Shares to SBI Incubation No.1 Limited and 78,181,717 Shares to MacRitchie Investments Pte. Ltd. on November 25, 2013.

Upon completion of the transfer on November 25, 2013, Focus Chevalier Investment Co., Ltd. continued to hold 25,454,513 Shares, representing 0.218% of our then issued share capital.

Goldman Sachs

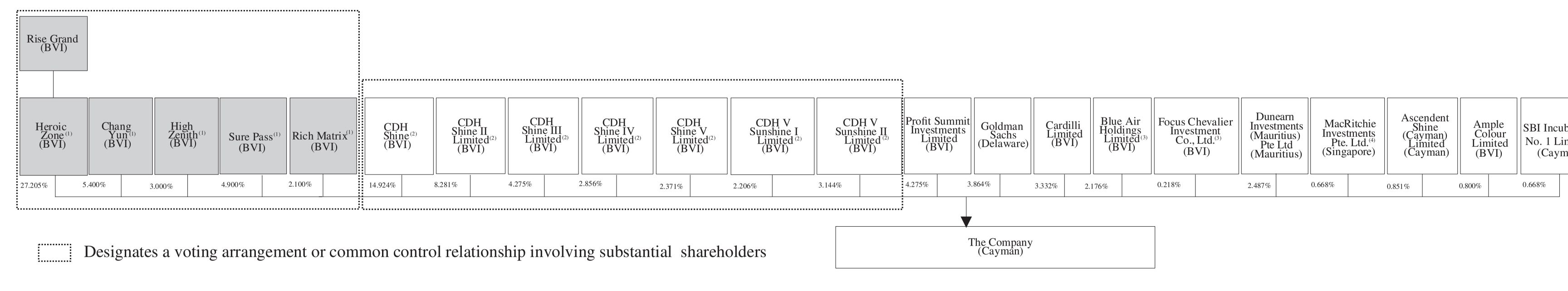
Goldman Sachs held 545,453,841 Shares as of January 1, 2011, representing approximately 5.18% of our then issued share capital.

Based on arm's length negotiation and its financial planning considerations, Goldman Sachs entered into a sale and purchase agreement on November 12, 2013, under which it agreed to dispose of 93,567,289 Shares (representing approximately 0.800% of our then issued share capital) to Ample Colour Limited, a wholly owned subsidiary of Shine Management L.P., which is an Independent Third Party.

Upon completion of the disposal on November 28, 2013, Goldman Sachs continued to hold 451,886,552 Shares, representing 3.864% of our then issued share capital.

Shareholding Structure at the End of Track Record Period

The following chart sets forth our shareholding structure as of December 31, 2013, which is the same with our shareholding structure as of the date of this Prospectus.



Notes:

(1) Chang Yun is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. High Zenith is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. Both Sure Pass and Rich Matrix are contractually obligated to exercise the voting rights of their Shares they held in accordance with the directions given by Heroic Zone. Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix together hold 42.605% of our issued share capital as of the date of this prospectus.

(2) CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited are all, directly or indirectly, wholly owned by China Shine Group Limited. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited, which is wholly owned by CDH China Growth Capital Holdings Company Limited. CDH China Growth Capital Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

CDH Shine V Limited is owned as to 69.9% and 30.1% by CDH Fund V, L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.), respectively. The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited. CDH V Sunshine I Limited and CDH V Sunshine II Limited are directly wholly owned by CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P., respectively. The general partners of CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P. are CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively, both of which are wholly owned by CDH V Holdings Company Limited. CDH V Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited together hold 38.057% of our issued share capital as of the date of this prospectus.

(3) Focus Chevalier Investment Co., Ltd. is a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner is New Horizon Partners Ltd. Blue Air Holdings Limited is wholly owned by New Horizon Capital III, L.P, whose general partner is New Horizon Capital Partners III Ltd. Blue Air Holdings Limited is under common control with Focus Chevalier Investment Co., Ltd. Focus Chevalier Investment Co., Ltd. and Blue Air Holdings Limited together hold 2.394% of our issued share capital as of the date of this prospectus.

(4) Dunearn Investments (Mauritius) Pte Ltd is a company incorporated in Mauritius on April 29, 2004 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which is owned by the Minister for Finance, Singapore. MacRitchie Investments Pte. Ltd. is a company incorporated in Singapore on May 30, 2003 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which in turn is owned by the Minister for Finance, Singapore. Dunearn Investments (Mauritius) Pte Ltd and MacRitchie Investments Pte. Ltd. together hold 3.155% of our issued share capital as of the date of this prospectus.

MAJOR ACQUISITIONS AND DISPOSALS DURING TRACK RECORD PERIOD

During the Track Record Period, the Group acquired Smithfield by way of merger. Smithfield conducted certain major acquisitions and disposals during the Smithfield Fiscal Year 2011, 2012 and 2013. For more details, please see the section headed "Financial Information — Smithfield — Principal Factors Affecting Smithfield's Results of Operations".

KEY MILESTONES

The history of our PRC business can be traced back to Luohe Cold Storage, established in 1958. In 2013, the Group acquired Smithfield by way of merger. The history of Smithfield can be traced back to 1936, with the opening of The Smithfield Packing Company by Joseph W. Luter and his son, Joseph W. Luter, Jr. The following sets forth the milestones in the development of the Group and Smithfield:

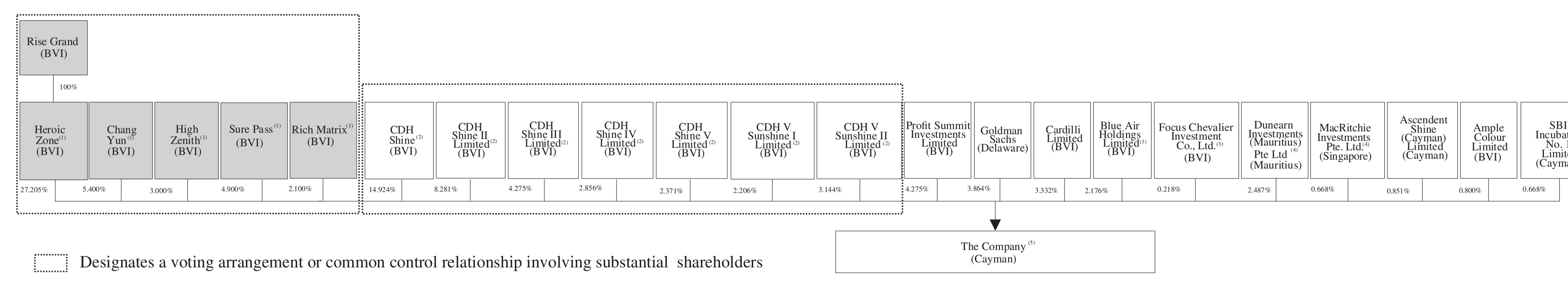
Year	Events
1977	Luohe Cold Storage was renamed as Henan Luohe Meat Products Processing United Factory.
1984	Mr. Wan Long, our Chairman and Chief Executive Officer, was elected to be the head of Henan Luohe Meat Products Processing United Factory.
1989	The "Shuanghui" brand was established.
1992	The first ham sausage under the "Shuanghui" brand was introduced into the market.
	Smithfield opened the United States' largest hog processing plant in Tar Heel, North Carolina.
1994	Shuanghui Group was established.
1995	Smithfield acquired John Morrell, which expanded Smithfield to a national scale in the U.S.
1998	Shuanghui Development, then named as Henan Shuanghui Industrial Co., Ltd., was listed on Shenzhen Stock Exchange.
1999	The "Shuanghui" brand was designated as a "National Well-known Trademark" by SAIC.
	Smithfield acquired Carroll's Foods, which made Smithfield the largest hog producer in the U.S.
2000	Our first fully modernized hog processing line commenced operation in Luohe, Henan Province.
	Smithfield acquired Murphy Farms, the largest hog producer in the U.S. The combined hog raising entity, Murphy-Brown LLC, made Smithfield the leading hog producer in the world.

Year	Events
2001	Smithfield acquired Moyer Packing and Packerland Holdings to form Smithfield Beef Group, the fifth-largest beef processor in the U.S.
2003	Smithfield acquired Farmland Foods, the sixth-largest U.S. pork processor.
2006	CDH Shine and Goldman Sachs acquired Shuanghui Group through the acquisition of Shuanghui Group by Rotary Vortex.
2008	Smithfield acquired an approximately 37% equity interest in Campofrio, a leading packaged meat company in Europe.
	Smithfield focused its business by divesting its beef operations and by later divesting its turkey business as well, making pork its sole focus.
2012	Shuanghui Group and Rotary Vortex increased their interests in Shuanghui Development pursuant to an asset awap in which Shuanghui Group and Rotary Vortex injected assets engaged in the businesses of slaughtering, meat processing and other related operations into Shuanghui Development.
2013	The Company acquired Smithfield as a wholly owned subsidiary.
	Smithfield became a wholly owned subsidiary of the Group.
2014	We entered into an agreement with Sigma Alimentos S.A. de C.V. and certain of its affiliates to launch a joint tender offer for the shares of Campofrio.
	The Company changed its name to WH Group Limited (萬洲國際有限公司).
	The Group applies for listing on the Stock Exchange.

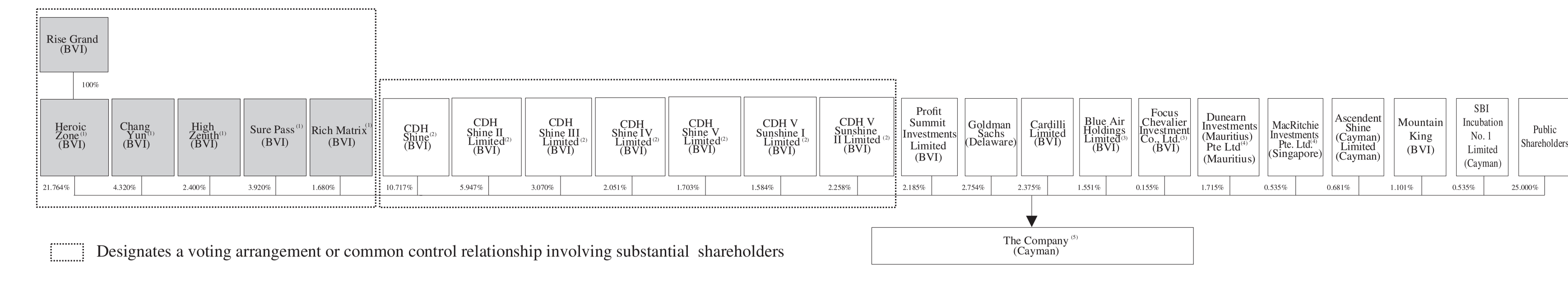
CORPORATE STRUCTURE

Shareholding Structure

The following chart sets forth the shareholding structure of the Company as of the date of this prospectus.



The following chart sets forth the shareholding structure of the Company immediately following completion of the Global Offering, assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.



Notes:

(1) Chang Yun is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. High Zenith is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. Both Sure Pass and Rich Matrix are contractually obligated to exercise the voting rights of their Shares they held in accordance with the directions given by Heroic Zone. Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix together hold 42.605% of our issued share capital as of the date of this prospectus.

(2) CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited are all, directly or indirectly, wholly owned by China Shine Group Limited. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited, which is wholly owned by CDH China Growth Capital Holdings Company Limited. CDH China Growth Capital Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

CDH Shine V Limited is owned as to 69.9% and 30.1% by CDH Fund V, L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.), respectively. The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited. CDH V Sunshine I Limited and CDH V Sunshine II Limited are directly wholly owned by CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P., respectively. The general partners of CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P. are CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively, both of which are wholly owned by CDH V Holdings Company Limited. CDH V Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

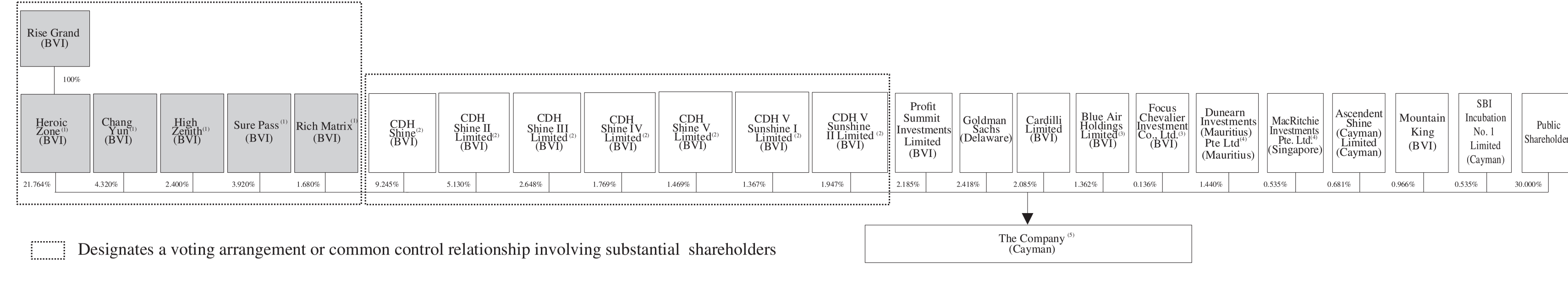
CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited together hold 38.057% of our issued share capital as of the date of this prospectus.

(3) Focus Chevalier Investment Co., Ltd. is a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner in turn is New Horizon Partners Ltd. Blue Air Holdings Limited is wholly owned by New Horizon Capital III, L.P, whose general partner in turn is New Horizon Capital Partners III Ltd. Blue Air Holdings Limited is under common control with Focus Chevalier Investment Co., Ltd. Focus Chevalier Investment Co., Ltd. and Blue Air Holdings Limited together hold 2.394% of our issued share capital as of the date of this prospectus.

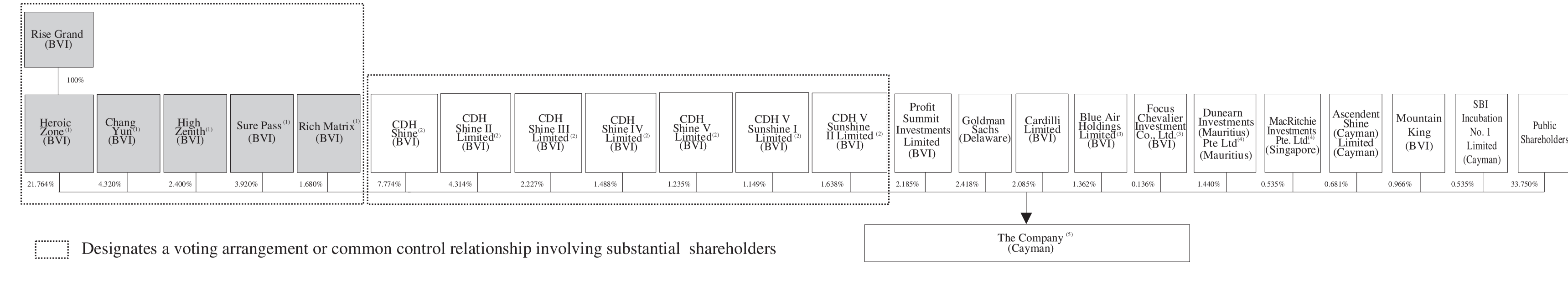
(4) Dunearn Investments (Mauritius) Pte Ltd is a company incorporated in Mauritius on April 29, 2004 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which is owned by the Minister for Finance, Singapore. MacRitchie Investments Pte. Ltd. is a company incorporated in Singapore on May 30, 2003 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which in turn is owned by the Minister for Finance, Singapore. Dunearn Investments (Mauritius) Pte Ltd and MacRitchie Investments Pte. Ltd. together hold 3.155% of our issued share capital as of the date of this prospectus.

(5) We adopted the Pre-IPO Share Option Scheme on January 21, 2014, the principal terms of which are set forth in the section headed “Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

The following chart sets forth the shareholding structure of the Company immediately following completion of the Global Offering, assuming that the Offer Size Adjustment Option is exercised but the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.



The following chart sets forth the shareholding structure of the Company immediately following completion of the Global Offering, assuming that both Offer Size Adjustment Option and Over-allotment Option are exercised, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.



Notes:

(1) Chang Yun is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. High Zenith is contractually obligated to exercise the voting rights of its Shares it holds in accordance with the directions given by Heroic Zone. Both Sure Pass and Rich Matrix are contractually obligated to exercise the voting rights of their Shares they held in accordance with the directions given by Heroic Zone. Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix together hold 42.605% of our issued share capital as of the date of this prospectus.

(2) CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited are all, directly or indirectly, wholly owned by China Shine Group Limited. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited, which is wholly owned by CDH China Growth Capital Holdings Company Limited. CDH China Growth Capital Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

CDH Shine V Limited is owned as to 69.9% and 30.1% by CDH Fund V, L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.), respectively. The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited. CDH V Sunshine I Limited and CDH V Sunshine II Limited are directly wholly owned by CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P., respectively. The general partners of CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P. are CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively, both of which are wholly owned by CDH V Holdings Company Limited. CDH V Holdings Company Limited is ultimately controlled by China Diamond Holdings Company Limited.

CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited together hold 38.057% of our issued share capital as of the date of this prospectus.

(3) Focus Chevalier Investment Co., Ltd. is a wholly owned subsidiary of New Horizon Fund, L.P., whose general partner in turn is New Horizon Partners Ltd. Blue Air Holdings Limited is wholly owned by New Horizon Capital III, L.P, whose general partner in turn is New Horizon Capital Partners III Ltd. Blue Air Holdings Limited is under common control with Focus Chevalier Investment Co., Ltd. Focus Chevalier Investment Co., Ltd. and Blue Air Holdings Limited together hold 2.394% of our issued share capital as of the date of this prospectus.

(4) Dunearn Investments (Mauritius) Pte Ltd is a company incorporated in Mauritius on April 29, 2004 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which is owned by the Minister for Finance, Singapore. MacRitchie Investments Pte. Ltd. is a company incorporated in Singapore on May 30, 2003 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited, which in turn is owned by the Minister for Finance, Singapore. Dunearn Investments (Mauritius) Pte Ltd and MacRitchie Investments Pte. Ltd. together hold 3.155% of our issued share capital as of the date of this prospectus.

Organizational Structure

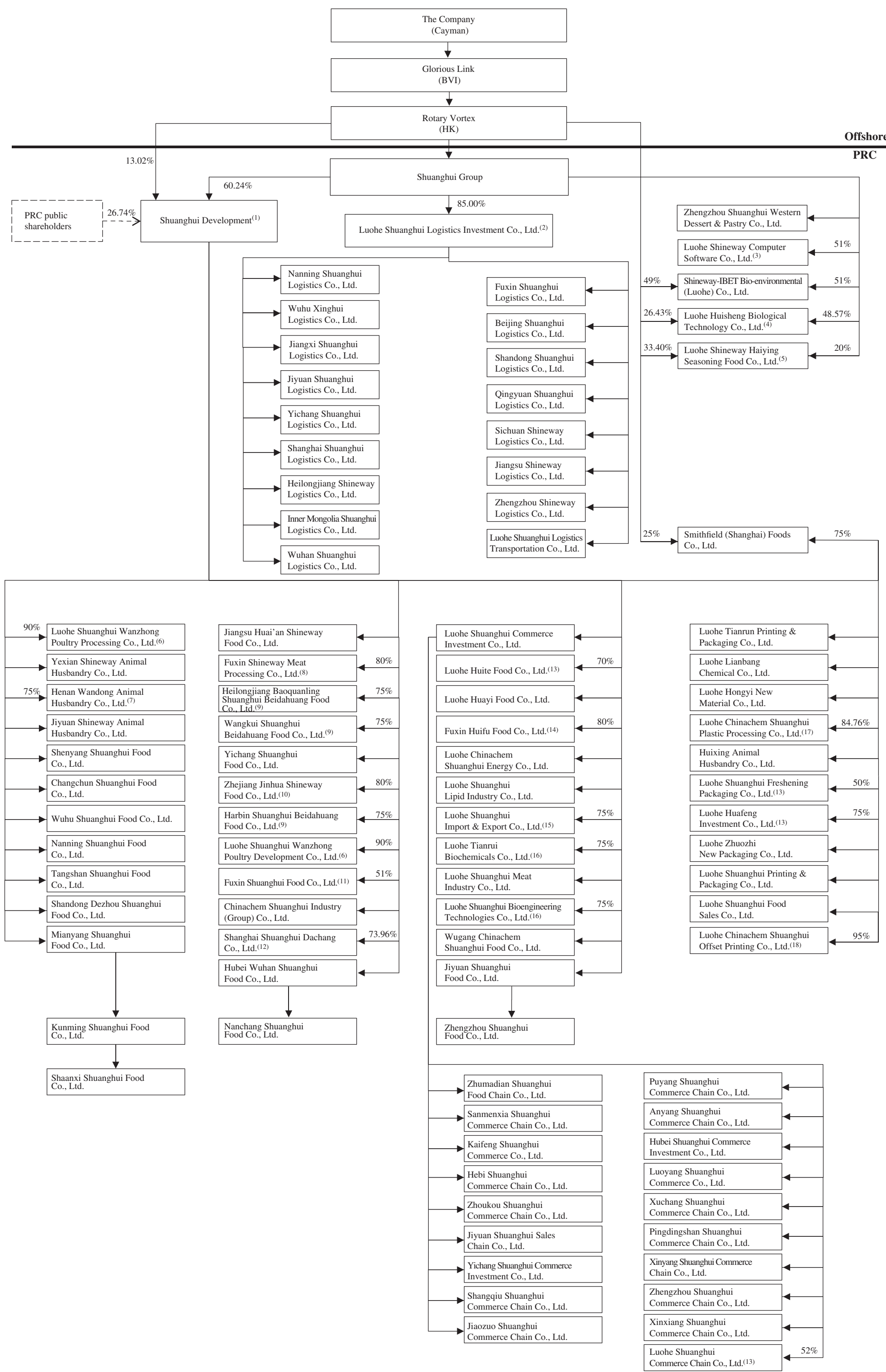
For the simplified organizational structure of the Group as of the date of this prospectus, please see the section headed "— Our History — Our Acquisition of Smithfield by Way of Merger — Merger with Smithfield". The organizational structure will be the same immediately following the completion of the Global Offering.

Our global headquarters is based in Hong Kong, overseeing our business operations in the PRC, the U.S. and other countries. We also have two regional headquarters. The regional headquarters in Luohe, Henan Province oversees our business operations in the PRC, while our regional headquarters in Smithfield, Virginia oversees our business operations in the U.S. and other international markets.

Shuanghui Development, one of the Group's subsidiaries, is listed on the Shenzhen Stock Exchange in China and subject to the disclosure obligations under the applicable PRC laws and regulations, including but not limited to the listing rules of the Shenzhen Stock Exchange. Smithfield voluntarily files with the SEC the periodic reports prescribed by the SEC under Section 13(a) of the U.S. Exchange Act. In respect of any information publicly disclosed by Shuanghui Development or Smithfield, the Company will make appropriate public announcement in Hong Kong when necessary in accordance with the relevant requirements under the Listing Rules, including but not limited to Rule 13.10B of the Listing Rules.

Organization Structure of Our PRC Operations

Our PRC operations comprise 95 subsidiaries organized and existing under PRC laws, primarily reflecting (i) the scale of our operations which comprise production facilities strategically located across China, and (ii) our vertically integrated business model. The following chart sets forth the organizational structure of our business in the PRC as of the date of this prospectus. Unless otherwise specified, all entities are 100% owned. The organizational structure will be the same immediately following the completion of the Global Offering.



Notes:

(1) As of the Latest Practicable Date, Mr. Wan Long, Ms. Qiao Haili and Ms. Wang Yufen held 94,490 shares, 75,702 shares and 96,626 shares in Shuanghui Development, respectively. Mr. Wan Long is our Chairman and Chief Executive Officer. Both Ms. Qiao Haili and Ms. Wang Yufen are members of the Group's senior management. As of the Latest Practicable Date, the issued share capital of Shuanghui Development was approximately 2,200.6 million shares.

(2) The other shareholder of Luohe Shuanghui Logistics Investment Co., Ltd. (漯河雙匯物流投資有限公司) is Mr. He Shenghua holding 15% of the equity interests. Mr. He Shenghua is an employee of the Group.

(3) The other shareholder of Luohe Shineway Computer Software Co., Ltd. (漯河雙匯計算機軟件有限責任公司) is Mr. Qiao Mingjun holding 49% of the equity interests. Other than being a shareholder of Luohe Shineway Computer Software Co., Ltd., Mr. Qiao Mingjun is not related to the Group.

(4) The other shareholders of Luohe Huisheng Biological Technology Co., Ltd. (漯河匯盛生物科技有限公司) are (i) Teeuwissen Holding BV holding 10% of the equity interests and (ii) Luohe Hengxiang Industry & Trading Co., Ltd. (漯河市恒祥工貿有限公司) holding the remaining 15% equity interests. To our best knowledge, Teeuwissen Holding BV is an enterprise organized and existing under the laws of the Netherlands, and Luohe Hengxiang Industry & Trading Co., Ltd. is a limited liability company organized and existing under PRC laws. Other than being a shareholder of Luohe Huisheng Biological Technology Co., Ltd., Teeuwissen Holding BV is not related to the Group. Other than being a shareholder of Luohe Huisheng Biological Technology Co., Ltd. and Luohe Shineway Haiying Seasoning Food Co., Ltd. (see note (5) below), Luohe Hengxiang Industry & Trading Co., Ltd. is not related to the Group.

(5) The other shareholders of Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司) are (i) AIN Foods Hong Kong International Company Limited (愛櫻食品香港國際有限公司) holding 33.40% of the equity interests, (ii) Luohe Hengxiang Industry & Trading Co., Ltd. holding 5.51% of the equity interests, (iii) Oriental United Company (澳麗安圖聯合企業) holding 4.12% of the equity interests, (iv) Luohe Jindao Economic Industrial Co., Ltd. (漯河市金島經濟實業總公司) holding 2.92% of the equity interests, and (v) Mr. Chen Xueming holding the remaining 0.65% of the equity interests. To our best knowledge, AIN Foods Hong Kong International Company Limited is a company organized and existing under the Hong Kong laws, Oriental United Company is a company organized and existing under the laws of Queensland, Australia, and Luohe Jindao Economic Industrial Co., Ltd. is a limited liability company organized and existing under the PRC laws. Other than being a shareholder of Luohe Shineway Haiying Seasoning Food Co., Ltd., none of AIN Foods Hong Kong International Company Limited, Oriental United Company, Luohe Jindao Economic Industrial Co., Ltd., and Mr. Chen Xueming is related to the Group. Other than being a shareholder of Luohe Shineway Haiying Seasoning Food Co., Ltd. and Luohe Huisheng Biological Technology Co., Ltd. (see note (4) above), Luohe Hengxiang Industry & Trading Co., Ltd. is not related to the Group.

(6) NIPPON Meat Packers, Inc. holds 10% of the equity interests in Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd. (漯河雙匯萬中禽業加工有限公司) and Luohe Shuanghui Wanzhong Poultry Development Co., Ltd. (漯河雙匯萬中禽業發展有限公司), respectively. To our best knowledge, NIPPON Meat Packers, Inc. is a company organized and existing under the Japanese laws. Other than being (i) a direct shareholder of Luohe Shuanghui Wanzhong Poultry Development Co., Ltd. and Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd. and (ii) an indirect shareholder of Henan Wandong Animal Husbandry Co., Ltd. (see note (7) below), NIPPON Meat Packers, Inc. is not related to the Group.

(7) The other shareholder of Henan Wandong Animal Husbandry Co., Ltd. (河南萬東牧業有限公司) is Yingte Ranch, Inc. (櫻特農場株式會社) holding 25% of the equity interests. To our best knowledge, Yingte Ranch, Inc. is a company organized and existing under the Japanese laws and a wholly owned subsidiary of NIPPON Meat Packers, Inc. Other than being a shareholder of Henan Wandong Animal Husbandry Co., Ltd., Yingte Ranch, Inc. is not related to the Group.

(8) The other shareholders of Fuxin Shineway Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司) are (i) Fuxin Food Co., Ltd. (阜新市食品有限責任公司) holding 12% of the equity interests and (ii) Fuxin Xinggang Food Co., Ltd. (阜新星港食品有限公司) holding the remaining 8% of the equity interests. To our best knowledge, both Fuxin Food Co., Ltd. and Fuxin Xinggang Food Co., Ltd. are limited liability companies organized and existing under the PRC laws. Other than being a shareholder of Fuxin Shineway Meat Processing Co., Ltd. and Fuxin Shuanghui Food Co., Ltd. (see note (11) below), Fuxin Xinggang Food Co., Ltd. is not related to the Group. Other than being a shareholder of Fuxin Shineway Meat Processing Co., Ltd., Fuxin Shuanghui Food Co., Ltd. (see note (11) below) and Fuxin Huifu Food Co., Ltd. (see note (14) below), Fuxin Food Co., Ltd. is not related to the Group.

(9) Heilongjiang Beidahuang Meat Industry Co., Ltd. (黑龍江省北大荒肉業有限公司) holds 25% of the equity interests in Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司), Wangkui Shuanghui Beidahuang Food Co., Ltd. (望奎雙匯北大荒食品有限公司), and Harbin Shuanghui Beidahuang Food Co., Ltd. (哈爾濱雙匯北大荒食品有限公司), respectively. To our best knowledge, Heilongjiang Beidahuang Meat Industry Co., Ltd. is a limited liability company organized and existing under the PRC laws. Other than being a shareholder of Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd., Wangkui Shuanghui Beidahuang Food Co., Ltd., and Harbin Shuanghui Beidahuang Food Co., Ltd., Heilongjiang Beidahuang Meat Industry Co., Ltd. is not related to the Group.

(10) The other shareholder of Zhejiang Jinhua Shineway Food Co., Ltd. (浙江金華雙匯食品有限公司) is Zhejiang Xinchen Food Co., Ltd. (浙江新辰食品有限公司) holding 20% of the equity interests. To our best knowledge, Zhejiang Xinchen Food Co., Ltd. is a limited liability company organized and existing under the PRC laws. Other than being a shareholder of Zhejiang Jinhua Shineway Food Co., Ltd., Zhejiang Xinchen Food Co., Ltd. is not related to the Group.

(11) The other shareholders of Fuxin Shuanghui Food Co., Ltd. (阜新雙匯食品有限責任公司) are (i) Fuxin Food Co., Ltd. (阜新市食品有限責任公司) holding 29.81% of the equity interests and (ii) Fuxin Xinggang Food Co., Ltd. (阜新星港食品有限公司) holding the remaining 19.19% of the equity interests. Other than being a shareholder of Fuxin Shineway Meat Processing Co., Ltd. (see note (8) above) and Fuxin Shuanghui Food Co., Ltd., Fuxin Xinggang Food Co., Ltd. is not related to the Group. Other than being a shareholder of Fuxin Shineway Meat Processing Co., Ltd. (see note (8) above), Fuxin Shuanghui Food Co., Ltd. and Fuxin Huifu Food Co., Ltd. (see note (14) below), Fuxin Food Co., Ltd. is not related to the Group.

(12) The other shareholder of Shanghai Shuanghui Dachang Co., Ltd. (上海雙匯大昌有限公司) is Mainstream Holdings Limited (華新控股有限公司) holding 26.04% of the equity interests. To our best knowledge, Mainstream Holdings Limited is a company organized and existing under the Hong Kong laws. Other than being a shareholder of Shanghai Shuanghui Dachang Co., Ltd., Mainstream Holdings Limited is not related to the Group.

(13) Labor Union of Shuanghui Group (雙匯集團工會委員會) holds 50%, 48%, 30%, and 25% of the equity interests in Luohe Shuanghui Freshening Packaging Co., Ltd. (漯河雙匯保鮮包裝有限公司), Luohe Shuanghui Commerce Chain Co., Ltd. (漯河雙匯商業連鎖有限公司), Luohe Huite Food Co., Ltd. (漯河匯特食品有限公司), and Luohe Huafeng Investment Co., Ltd. (漯河華豐投資有限公司), respectively. Labor Union of Shuanghui Group is a legal entity organized and existing under PRC laws. Its members comprise of the employees of Shuanghui Group and its subsidiaries.

(14) The other shareholder of Fuxin Huifu Food Co., Ltd. (阜新匯福食品有限公司) is Fuxin Food Co., Ltd. holding 20% of the equity interests. Other than being a shareholder of Fuxin Huifu Food Co., Ltd., Fuxin Shineway Meat Processing Co., Ltd. (see note (8) above), and Fuxin Shuanghui Food Co., Ltd. (see note (11) above), Fuxin Food Co., Ltd. is not related to the Group.

(15) The other shareholders of Luohe Shuanghui Import & Export Co., Ltd. (漯河雙匯進出口貿易有限責任公司) are 23 individuals holding 25% in total of the equity interests, including (i) Mr. Zhou Feng holding 3.47% of the equity interests, (ii) Ms. Cai Wangyun and Mr. Wan Hongjian, each holding 2.31% of the equity interests, (iii) Mr. Sheng Xiajie, Mr. Wang Guosong and Mr. Wang Xicheng, each holding 1.74% of the equity interests, (iv) Ms. Wang Shufeng holding 1.27% of the equity interests, (v) Ms. Gu Li and Mr. Xu Daming, each holding 1.16% of the equity interests, and (vi) 14 other individuals, each holding 0.58% of the equity interests. These 23 individuals were all employees of Luohe Shuanghui Import & Export Co., Ltd. when they acquired equity interests in Luohe Shuanghui Import & Export Co., Ltd. in 2001. Except Mr. Wan Hongjian, who is Mr. Wan Long's son, none of the 23 individuals is a connected person of the Group as defined under the Listing Rules.

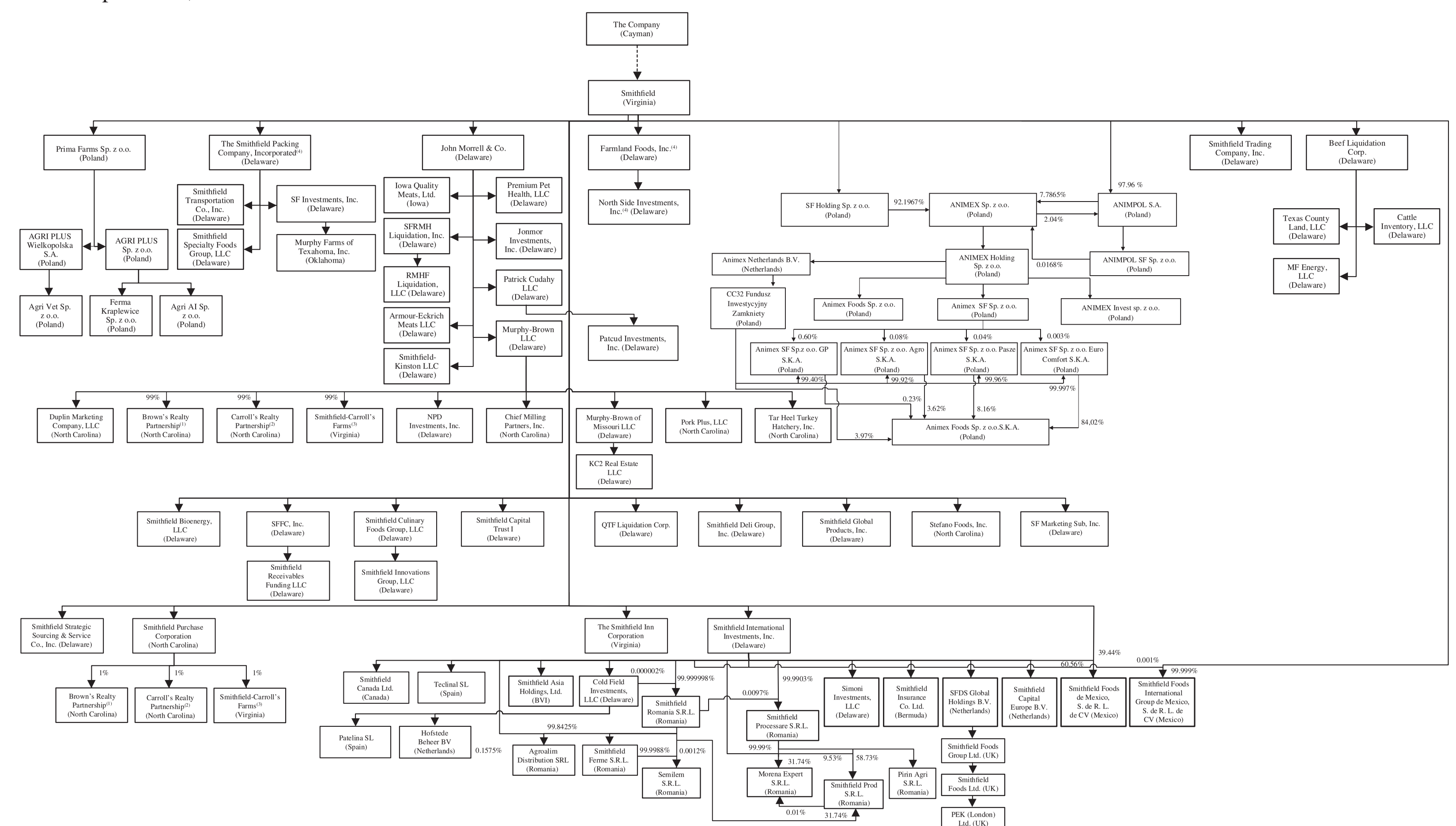
(16) ASI Technologies INC. holds 25% of the equity interests in Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司) and Luohe Shuanghui Bioengineering Technologies Co., Ltd. (漯河雙匯生物工程技術有限公司), respectively. To our best knowledge, ASI Technologies INC. is a company organized and existing in the U.S. Other than being a shareholder of Luohe Tianrui Biochemicals Co., Ltd. and Luohe Shuanghui Bioengineering Technologies Co., Ltd., ASI Technologies INC. is not related to the Group.

(17) The other shareholders of Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑料工程有限公司) are (i) Kureha Corporation holding 10.16% of the equity interests and (ii) Toyota Tsusho Corporation holding the remaining 5.08% of the equity interests. To our best knowledge, both Kureha Corporation and Toyota Tsusho Corporation are corporation organized and existing under the Japanese laws. Other than being a shareholder of Luohe Chinachem Shuanghui Plastic Processing Co., Ltd., neither Kureha Corporation nor Toyota Tsusho Corporation is related to the Group.

(18) The other shareholders of Luohe Chinachem Shuanghui Offset Printing Co., Ltd. (漯河華懋雙匯膠印有限公司) are (i) Glary Asia Development Limited (香港豪亞發展有限公司) holding 2.23% of the equity interests and (ii) Mr. Xie Zuxuan holding 2.27% of the equity interests. To our best knowledge, Glary Asia Development Limited is a company organized and existing under the Hong Kong laws. Glary Asia Devleopment Limited and Mr. Xie Zuxuan are not connected persons of the Group as defined under the Listing Rules.

Organizational Structure of our U.S. and International Operations

Our U.S. and international operations comprise 92 subsidiaries owned directly or indirectly by Smithfield and primarily organized and existing under the laws of various states in U.S., Poland, Romania, Mexico, the UK and certain Western European countries, primarily reflecting the scale and scope of our operations in multi-jurisdictions and vertically integrated business model. The following chart sets forth the organizational structure of all wholly owned subsidiaries of Smithfield as of the date of this prospectus. Unless otherwise specified in the notes to the following chart, the organizational structure will be the same immediately following the completion of the Global Offering. Unless otherwise specified, all entities are 100% owned.



Notes:

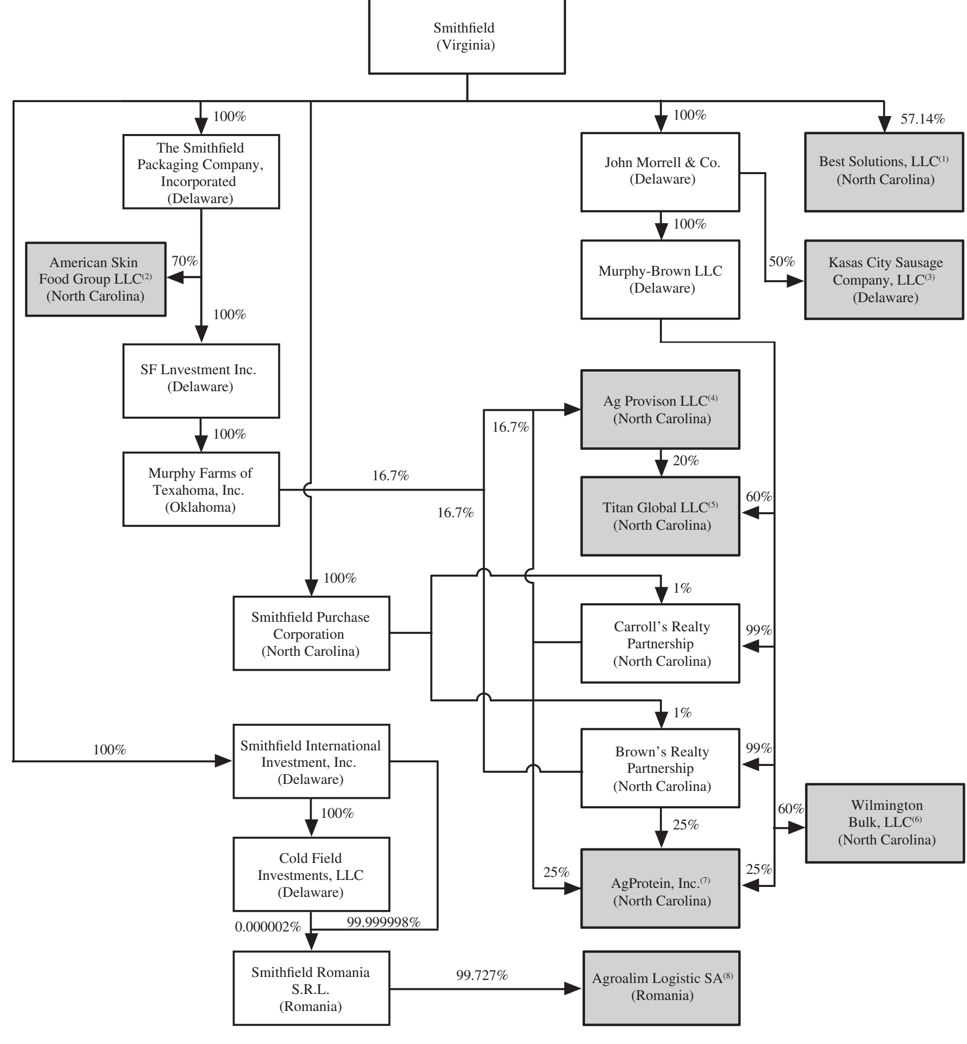
(1) Brown's Realty Partnership is owned by Murphy-Brown LLC as to 99% and Smithfield Purchase Corporation as to 1%.

(2) Carroll's Realty Partnership is owned by Murphy-Brown LLC as to 99% and Smithfield Purchase Corporation as to 1%.

(3) Smithfield-Carroll's Farms is owned by Murphy-Brown LLC as to 99% and Smithfield Purchase Corporation as to 1%.

(4) The Smithfield Packing Company, Incorporated and Farmland Foods, Inc. are expected to be merged on or around April 28, 2014, with The Smithfield Packing Company, Incorporated as the surviving entity. North Side Investments, Inc. will become a directly wholly owned subsidiary of The Smithfield Packing Company, Incorporated thereafter.

In addition to the wholly owned subsidiaries, Smithfield also controls 8 non-wholly owned subsidiaries as of the date of this prospectus. The following chart sets forth the organizational structure of the non-wholly owned subsidiaries of Smithfield as of the date of this prospectus. The organizational structure will be the same immediately following the completion of the Global Offering.



Notes:

(1) The other member of Best Solutions, LLC is QED Corporation Limited, holding the remaining 42.86% equity interests. To our best knowledge, QED Corporation Limited is an Australian limited liability company. Other than being a member of Best Solutions, LLC, QED Corporation Limited is not related to the Group.

(2) The other members of American Skin Food Group LLC are (i) American Skin, L.L.C, holding 20% equity interests and (ii) NLBT Investments, LLC, holding the remaining 10% equity interests. To our best knowledge, American Skin, L.L.C. is a North Carolina limited liability company and NLBT Investments, LLC is a Tennessee limited liability company. Other than being a member of American Skin Food Group LLC, neither American Skin, L.L.C. nor NLBT Investments, LLC is related to the Group.

(3) The other member of Kasas City Sausage Company, LLC is KCS Holdings, LLC, holding the remaining 50% equity interests. To our best knowledge, KCS Holdings, LLC is a Missouri limited liability company. Other than being a member of Kansas City Sausage Company, LLC, KCS Holdings, LLC is not related to the Group.

(4) The other members of Ag Provision, LLC are (i) Prestage of South Carolina, LLC, holding 16.7% equity interests, (ii) Nash Johnson & Sons, Inc., holding 16.7% equity interests, and (iii) Six Maxwells LLC, holding the remaining 16.7% equity interests. To our best knowledge, Prestage of South Carolina, LLC is a South Carolina limited liability company, Nash Johnson & Sons, Inc. is a North Carolina corporation and Six Maxwells LLC is a North Carolina limited liability company. Other than being a member of Ag Provision, LLC, none of Prestage of South Carolina, LLC, Nash Johnson & Sons, Inc. and Six Maxwells LLC is related to the Group.

(5) The other member of Titan Global LLC is Moritz, LLC, holding the remaining 20% equity interests. To our best knowledge, Moritz, LLC is a Nebraska limited liability company. Other than being a member of Titan Global LLC, Moritz, LLC is not related to the Group.

(6) The other members of Wilmington Bulk, LLC are (i) Johnson Breeders, Inc., holding 20% equity interests and (ii) Prestage Farms, Inc., holding the remaining 20% equity interests. To our best knowledge, both Johnson Breeders, Inc. and Prestage Farms, Inc. are North Carolina corporations. Other than being a member of Wilmington Bulk, LLC, neither Johnson Breeders, Inc. nor Prestage Farms, Inc. is related to the Group.

(7) The other member of AgProtein, Inc. is Prestage Farms, Inc., holding the remaining 25% equity interests. To our best knowledge, Prestage Farms, Inc. is a North Carolina corporation. Other than being a member of AgProtein, Inc., Prestage Farms, Inc. is not related to the Group.

(8) The other shareholders of Agroalim Logistic SA are (i) certain Independent Third Parties, holding in aggregate 0.266% equity interests and (ii) an employee of the Group, holding the remaining 0.007% equity interests.

Our Principal Operating Subsidiaries

The following table sets forth the identities, places and dates of incorporation or establishment and principal businesses of our principal operating subsidiaries (in alphabetical order). Other than Shuanghui Development, all of our principal operating subsidiaries are wholly owned.

Name of Subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Principal business
Chinachem Shuanghui Industry (Group) Co., Ltd. (華懋雙匯實業(集團)有限公司)	PRC	February 24, 1994	Processing, cold storage and sale of meat products
Farmland Foods, Inc.	Delaware	July 7, 2003	Fresh pork, case ready pork, hams, bacon, fresh sausage, processed sausage, lunch meat, and specialty sausage
Jiangsu Huai'an Shineway Food Co., Ltd. (江蘇淮安雙匯食品有限公司)	PRC	November 13, 2007	Hog slaughtering and processing; meat and meat products processing and marketing; animal fats and frozen food processing and marketing
John Morrell & Co.	Delaware	November 29, 1967	Meat processing (ham, smoked sausage, hot dogs, deli meats, bacon, pulled pork and dry sausage)
Luohe Lianbang Chemical Co., Ltd. (漯河連邦化學有限公司)	PRC	March 31, 2005	Packaging film (e.g., PVDC) production, processing and sales; food packaging materials sales
Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司)	PRC	October 26, 2012	Wholesale and retail of frozen meat products
Luohe Shuanghui Meat Industry Co., Ltd. (漯河雙匯肉業有限公司) .	PRC	April 28, 2010	Research and development of meat products processing technology; production and sale of meat products, compound feed and concentrated feed
Luohe Tianrun Printing & Packaging Co., Ltd. (漯河天潤彩印包裝有限公司)	PRC	August 28, 2003	Packaging film (e.g., PVDC) and color print development, production, processing and sales

Name of Subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Principal business
Mianyang Shuanghui Food Co., Ltd. (綿陽雙匯食品有限責任公司)	PRC	September 8, 1997	Livestock and poultry slaughtering and processing; meat products production, processing and sales
Murphy-Brown LLC	Delaware	February 26, 2001	Owning and managing hog farming and feeding operations
Rotary Vortex	Hong Kong	February 28, 2006	Investment holding and trading
Shandong Dezhou Shuanghui Food Co., Ltd. (山東德州雙匯食品有限公司)	PRC	September 4, 2003	Hog slaughter, processing and sales; meat products and edible animal fats processing and sales
Shuanghui Development . . .	PRC	October 15, 1998	Livestock and poultry slaughter; production and sale of meat products, canned meat products, frozen meat products, cooked meat products, edible animal fats; hog production and sales
Shuanghui Group	PRC	August 29, 1994	Pre-packaged food wholesale and retail; import and export of live animals and live poultry; retail, wholesale and distribution of edible agricultural products; purchase and sales of food additives
The Smithfield Packing Company, Incorporated . .	Delaware	September 10, 1981	Fresh pork, smoked meats, bacon, cooked hams, and hot dogs for retail, foodservice and deli channels

OVERVIEW

We are the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production. We have number one market shares in China, the U.S. and key markets in Europe. We own Asia's largest animal protein company, Shuanghui Development, the U.S.'s largest pork company, Smithfield, and a 37% equity stake in the largest packaged meat company in Europe by sales, Campofrio. Pork consumption in markets where we have the leading position collectively accounted for over 60% of world's total pork consumption in 2012. We are committed to providing consumers with high-quality, nutritious and tasty products through our portfolio of trusted and well-known brands and to driving consumption trends, while setting the highest industry standards in product quality and food safety.

Our unique, vertically integrated, global platform distinguishes us from our competitors. We are the undisputed leading pork company in China, which alone accounted for over half of global pork consumption in 2012 and is expected to represent over 80% of global pork consumption growth over the next five years, according to Frost & Sullivan. Smithfield, our wholly owned subsidiary, is the industry leader in U.S. pork production and is the world's largest pork exporter, with compelling cost advantages. We are in a unique position to efficiently match supply with demand on a global basis and to benefit from the strong industry trends in China and the world's other fast-growing animal protein markets.

We also have the world's largest distribution network in the pork industry supported by our leading market share in pork products. In each of our key markets, our sales and distribution networks are among the largest in the industry, with an advanced logistics network.

Our brands are synonymous with premium quality packaged meat and fresh pork products in many parts of the world. In their respective regions, many of our brands, such as Shuanghui, Smithfield, John Morrell, Farmland and Eckrich, are trusted household names, some with a century-old heritage. We foster a strong culture of innovation, which allows us to nimbly adapt to evolving consumer preferences. We have a proven track record of launching successful new products that help drive our revenue growth and increase our margins in each of our key markets.

Maintaining the highest industry standards for food safety, product quality and sustainability is one of our core values. We have strict quality control systems in each segment of our value chain, from production through sales and distribution. In the U.S., these objectives are grounded in our sustainability program, which focuses on key areas such as animal care, employee welfare, the environment, food safety and quality, helping communities and value creation. Furthermore, our vertically integrated business model enhances the traceability of our products and helps safeguard product quality.

We have a visionary, experienced and focused global management team that has led us through two decades of sustained growth. Under their stewardship, we have commenced the integration of our combined operations and expect to create significant synergies.

We have achieved a strong financial track record. Over the past 16 years, Shuanghui Development, our publicly listed subsidiary in China, recorded sales that have increased from RMB2.2 billion in 1997 to RMB45.0 billion in 2013, representing a CAGR of 20.8%. Sales of our U.S. and international operations under Smithfield have grown from US$3.9 billion in the Smithfield 1998 Fiscal Year to US$13.2 billion in the Smithfield 2013 Fiscal Year, representing a CAGR of 8.5%.

Looking ahead, we will continue to adhere to our business principles of providing high quality and safe animal protein to consumers globally and promoting social responsibility. We believe that our relentless pursuit of these goals will lead to sustainable growth, solidify our global leadership and create long-term value for our Shareholders, employees and our communities.

OUR COMPETITIVE STRENGTHS

We are the leader in the global pork industry and have number one market shares in China, the U.S. and key regions in Europe, markets that collectively accounted for over 60% of 2012 total world pork consumption.

We are uniquely situated to benefit from powerful industry trends. China alone accounted for over half of global pork consumption in 2012 and is expected to represent over 80% of global pork consumption growth over the next five years, according to Frost & Sullivan. The U.S., with its relatively low production costs, has substantial potential to increase its exports to China and other growth markets. Our vertically integrated platform allows us to effectively match demand with supply on a global scale and offers us unparalleled capabilities to drive revenue growth and expand profitability. Specifically, we believe the following strengths are critical to our success:

World's largest pork company across the industry value chain

We are the largest pork company in the world. We have the No.1 global market share in packaged meat, the No.1 global market share in packaged pork—with more than triple the market share of our next largest competitor in China and more than double the market share of our next largest competitor in the U.S.—and No.1 market shares in Poland and Romania. We have the No.1 global market share in fresh pork with No.1 market shares in China, the U.S., Poland and Romania. We also have the No.1 global market share in hog production—with market share larger than our next two competitors combined in the U.S.—and No.1 market shares in Poland and Romania.

As a vertically integrated pork industry leader, we own significant business operations globally. We have the largest pork distribution network in the world, with the largest fresh pork and packaged meat distribution network and the largest cold-chain logistics network in China. We are also the largest packaged pork supplier to the two largest U.S. sales channels and the largest U.S. fresh pork exporter. Furthermore, we have extensive distribution networks in Poland, Romania and Mexico.

	Hog production	Fresh pork	Packaged meat	Distribution and sales
Global[(1)]	• 1.5%, with ***No. 1*** position	• 3.1%, with ***No. 1*** position	• 3.0%, with ***No. 1*** position • 5.8%, with ***No. 1*** position for packaged pork	• Largest distribution network in pork industry globally supported by our leading market share in pork products
China[(2)]	• Produced approximately 317,700 hogs in the year ended December 31, 2013	• 2.6%, with ***No. 1*** position • Processed approximately 13.3 million hogs in the year ended December 31, 2013	• 11.8%, with ***No. 1*** position • 18.7%, with ***No. 1*** position for packaged pork • Produced approximately 1.8 million metric tons of packaged meat products in China in the year ended December 31, 2013	• Largest distribution network of fresh pork and packaged meat • Largest cold-chain logistics network in China
U.S.[(2)]	• 13.2%, with ***No. 1*** position • Produced approximately 16.0 million hogs in Smithfield's FY 2013, more than the next two competitors combined	• 31.7%, with ***No. 1*** position • Processed 28.5 million hogs in Smithfield's FY 2013	• 18.6%, with ***No. 1*** position for packaged pork • Ham products: 38.3%, with ***No. 1*** position in the food retail channel • Sausage products: 16.1%, with ***No. 1*** position in the food retail channel • Bacon products: 15.9%, with ***No. 1*** position in the food retail channel	• Largest supplier of packaged meat products to food retail and foodservice companies, which are the two largest sales channels in the U.S. • Largest fresh pork exporter, accounting for 36.7% of all U.S. pork exports

Notes:

(1) Global market share as of 2012

(2) Market share for China, the U.S. and the rest of the world for the first nine months of 2013

	Hog production	Fresh pork	Packaged meat	Distribution and sales
Rest of World(2)	• Poland — ***No. 1*** pork company with a 10.1% market share • Romania — ***No. 1*** pork company with a 30.2% market share • Mexico — ***No. 3*** pork company through joint ventures representing a 7.9% market share • Campofrio, in which we own 37% stake, is the largest packaged meat company in Europe with market share of 2.6% in 2012 by sales			• Extensive network in Poland and Romania through wholly owned operations, Mexico through 50/50 JV and other major E.U. countries through Campofrio

Unique, vertically integrated business on a global scale

We are a vertically integrated global pork powerhouse with a unique platform to effectively match pork supply with demand on a global scale, safeguard product quality and lead further global industry consolidation.

Our integrated platform extends across two dimensions, globally and vertically, and the Merger strengthens our position in both dimensions. This unique platform connects the world's largest pork exporter with the largest pork consumption market, thereby maximizing the combined value of our global resources.

China is the largest pork consumption market in the world and is expected to grow further. China represented over half of total 2012 global pork consumption and Chinese pork sales account for over 60% of total meat consumption in China, according to Frost & Sullivan. We believe pork consumption in China has significant growth potential because of macroeconomic factors that include rapid growth in GDP, increasing urbanization and rising per capita disposable income. In addition, we believe that demand in China for premium pork products is likely to outpace the growth of the broader pork industry due to consumers' increasing preference for higher quality and safer food. The U.S. is one of the largest hog producing and pork processing countries in the world, with one of the world's most efficient cost structures. For example, hog prices in the U.S. from 2010 to 2012 were approximately 40% lower than those in China principally due to lower feed costs and higher productivity, according to Frost & Sullivan.

We believe we can increase our exports to China because of the supply-demand gap in China and the scale of our U.S. operations. Prior to the Merger, Smithfield was the global leader in pork exports, with a 36.7% share of the total U.S. pork export market, according to Frost & Sullivan. As the world's largest pork importer, China imported 0.6 million metric tons of pork in the nine months ended September 30, 2013, of which approximately 20.6% was from the U.S. Furthermore, we have transitioned a portion of our hog production and hog processing capacity to be ractopamine-free. We had daily ractopamine-free hog production capacity of 36,000 head and hog processing capacity of 43,100 head as of December 31, 2013, which we expect will be increased by 55.6% and 48.0% by July 2014, respectively. Beyond the revenue growth we expect from increased sales of U.S. pork to China, we also expect greater exports to help stabilize live hog prices and reduce earnings volatility in our U.S. operations. In January 2014, our U.S. operations made their first intra-group shipment to China of fresh pork, which was marketed through our distribution network in China.

We have taken initial steps toward launching premium packaged meat products in China by leveraging Smithfield's brand recognition and using U.S.-sourced pork and Smithfield technologies. This coupled with our knowledge of local consumer preferences and extensive sales and distribution network puts us in a unique position to capture the strong growth opportunities arising from the significant demand for premium food products in the Chinese market. As we implement our integration with Smithfield, we have focused on the sharing of operational and financial best practices, technology and market knowledge across our global platform to further strengthen our competitiveness, improve food safety control mechanisms, enhance productivity and improve profitability. Globally, we have a powerful platform to take advantage of acquisition opportunities wherever they may arise.

Furthermore, we can allocate our resources to meet consumer demand across the broader fresh pork and packaged meats markets. Consumers in China and the U.S. have different preferences for types and cuts of meat. For example, pork by-products are more commonly consumed in China as compared to the U.S. and consumers in northern China prefer boneless meat while consumers in southern China prefer bone-in pork for certain dishes such as soup. We are able to ship different types and cuts of meats to satisfy different consumer demands across continents and regions to capture the highest value, hence maximizing our revenue and further enhancing our margins.

With respect to vertical integration, our global platform gives us the advantage of operational flexibility by consolidating all of the key segments in the value chain from hog production, to pork processing, to sales and distribution of fresh pork and packaged meat products.

The vertical integration of our operations represents a key, unparalleled advantage relative to our competitors as it allows us to achieve traceability for our products to better ensure safety and high quality. Unlike competitors who are engaged only in the fresh pork or packaged meats segments, we are able to adjust our production according to changes in supply and demand and allocate resources in the most efficient manner between our operations in different markets. Moreover, the hog production business, a strategic asset, allows us not only to maintain effective food safety and product quality standards by controlling upstream raw materials, but also to deliver differentiated products that meet consumer preferences and regulatory requirements and standards. For example, our Smithfield Premium Genetic Lines allow us to produce lean pork products that cater to health-conscious consumers. Additionally, we are able to produce ractopamine-free pork products that meet the requirements of certain import countries, including China. Finally, our hog production business also ensures stable supply of our most important raw materials, hogs, under any industry cycle.

Extensive and efficient global sales and distribution network

Our global sales and distribution network provides us with unparalleled access to the largest pork consumption markets in the world, principally China, the U.S. and Europe, as well as many other major pork-importing countries.

In China, our sales and distribution network has broad geographic reach and covers all key distribution channels, ranging from hypermarkets in first-tier Chinese cities, to mom-and-pop stores in rural regions, to specialty channels such as schools and highway service stations. Supported by more than 5,000 distributors, our sales network for packaged meat products reaches approximately 638,000 points of sale covering all 31 provinces in China, and our sales network for fresh pork products reaches approximately 24,300 points of sales covering 27 provinces in China. We benefit

from a high degree of commitment from our distributors, many of whom have long-term relationships with us. Furthermore, our sales and distribution network is supported by our nationwide logistics system, which includes the largest cold-chain logistics network in China. This logistics network is distinguished by state-of-the-art information management and GPS systems that allow for real-time position, speed and temperature monitoring.

In the U.S., we have an extensive sales and distribution network characterized by strong, long-term relationships with customers in all key distribution channels and extensive use of independent common carriers for deliveries. We are the leading supplier of packaged meat products to food retail and food service companies in the U.S., which accounted for over 90% of our total U.S. sales in the fiscal year ended April 28, 2013. We are also the leading supplier of fresh pork to U.S. food retail and food service companies and to export channels. We maintain strong relationships with the majority of the top 75 food retailers and with each of the top 10 food retailers in the U.S., according to *Supermarket News'* ranking of U.S. food retailers. Nine of the ten largest restaurant chains and each of the top 20 food service companies in the U.S. are our customers, according to *Nation's Restaurant News'* ranking of U.S. restaurant chains. We are the largest exporter of pork from the U.S. with a network of strategic trading partners across multiple geographies, including greater China, Japan, Russia, Mexico, Canada, Korea and the Philippines.

In Europe, our sales and distribution network covers Poland and Romania, and Campofrio has a large distribution network spanning Spain, France, Belgium, the Netherland, Portugal, Italy and Germany. We also have access to a strong sales and distribution network in Mexico through our joint ventures.

Well-known and trusted brands underpinned by comprehensive product offerings and strong innovation capabilities

Our brands are synonymous with premium quality packaged meat and fresk pork products in many parts of the world. In their respective regions, many of our brands, such as Shuanghui, Smithfield, John Morrell, Farmland and Eckrich, are trusted household names, some with a century-old heritage. Under these brands, we offer products that represent superior safety, quality and flavor, and we adapt to changing consumer preferences by continually innovating and introducing new products, thereby reinforcing our brand leadership.

In China, Shuanghui is the leading brand in packaged meat and fresh pork products. Our well-known product series in China include Shuanghui King of Kings (雙匯王中王), Q Fun (Q趣兒) and Hot Dog with Corn (玉米熱狗腸). Sales of King of Kings alone reached approximately RMB5.9 billion in the year ended December 31, 2013. We have distinguished ourselves through innovation, drawing on the strength of our nationally certified technology R&D center and our R&D team of more than 200 professionals. In some cases, we have driven consumer trends through launches of our new products, such as Pork Morsel Sausage (大肉塊特製香腸) and Instant Noodle Partner (泡麵拍檔). We have introduced many new products that became best-sellers nationally within short periods of time. For example, the sales volume of our Instant Noodle Partner reached approximately 27,000 metric tons in the year of its launch in April 2009, exceeded approximately 70,000 metric tons in 2010, and reached approximately 100,000 metric tons in each year thereafter. In recent years, new packaged meat products have constituted approximately 10% of our annual sales volume.

In the U.S., we have built a portfolio of powerful brands, including two "billion-dollar" brands, Smithfield and Farmland, which appeal to key demographics and consumer segments. Within the ham, sausage and bacon sub-categories, we are the market leader in the food retail channel with 38.3%, 16.1% and 15.9% market shares, respectively. We recently signed an 18-year agreement with Nathan's Famous, Inc., the owner of one of the most popular hot dog brands in the U.S., to become Nathan's exclusive licensee in the U.S. retail market. Consumer awareness of our brands is critical to our retail and foodservice partners, making us the leading supplier in these two important channels. Furthermore, success in the U.S. market requires constant innovation, and we have met this challenge by introducing products focused on the areas of health and wellness, convenience, taste, consumer meal solutions and packaging. Our hog production assets provide a strong foundation for innovation by enabling us to develop products tailored to consumer preferences, especially for naturally leaner, healthier products. We co-develop product prototypes with our key customers and conduct much of our new product development activities in our new 37,000 square foot Innovation Center and Pilot Plant in the U.S., which includes three specialized state-of-the-art kitchens and a USDA-inspected pilot plant that can simulate the full-scale manufacturing process.

Our principal European brands include the Krakus, Morliny and Yano brands in Poland and the Comtim and Agroalim brands in Romania. Through our 37% interest in Campofrio, we benefit from a portfolio of leading packaged meat brands in Spain, France, Italy, Belgium, the Netherlands and Portugal. Campofrio's portfolio of packaged meat brands includes Campofrio, Fiorucci, Aoste, Stegeman, Jean Caby, Caroli Foods, Navidul and Nobre, many of which are regarded as premium brands in their core markets.

Strong food safety, premium product quality and commitment to sustainability

Adhering to the highest standards in food safety and product quality is one of our core values. We believe our fully integrated operations, coupled with our stringent quality control standards and production safety systems, ensure consistent and high-quality products. In China, the U.S. and Europe, we operate a platform that seamlessly integrates R&D, production, quality control and distribution. All of our production, processing and distribution facilities have been accredited according to ISO9001, ISO14001, ISO22000, HACCP or other international certification standards.

To ensure product quality in China, we standardize all processes and operate our facilities using the most advanced technologies, following stringent quality control standards in all aspects of our operations. For example, we were one of the first large pork processers in China to screen each hog to ensure compliance with these standards. In addition, we conduct extensive quality control checks at all stages of the packaged meat production process, including the procurement of raw materials and packaging and the shipment of finished products. More specifically, we perform quality checks on each batch of raw materials and finished products. Our commitment to quality extends beyond production to the transportation and delivery of our products through our ownership of the nation's largest cold-chain logistics network. Furthermore, our advanced information management systems facilitate the traceability of our products

In the U.S. and Europe, a growing number of our customers prefer suppliers that are vertically integrated and have stringent controls over supply and a commitment to sustainability. All of our major facilities are certified by the Global Food Safety Initiative (GFSI) and utilize industry leading food

safety processes. We have adopted bio-security systems, stringent supply chain controls and strict protocols to ensure product safety and consistency. Our bio-security systems safeguard the health of our livestock. Our control systems ensure accurate and efficient product traceability across our integrated production chain, enabling effective tracing from finished products back to the hog farms. In addition, as part of our sustainability program, we have committed to replacing our individual gestation stalls with group pens. We believe quality assurance, traceability and commitment to sustainability are key purchasing decisions for our customers in the U.S.

Visionary, experienced and focused global management team, with interests aligned with Shareholders

Most members of our management team have spent their entire careers in the pork industry, with an average of over 15 years of experience. They have a proven track record of generating significant returns for shareholders while adhering to the highest standards of corporate governance, food safety, quality control, environmental stewardship and animal welfare. Our transformational merger with Smithfield united within one company two high-caliber management teams with a shared global vision. Their years of cooperation prior to the merger have paved the way for smooth integration of our combined businesses. Our management team's individual equity interests in the company further aligns their interests with those of the Company and its shareholders.

Mr. Wan Long, our Chairman and Chief Executive Officer, has approximately 45 years of experience in the pork industry and has served as the head of the Group for many years. He is widely known as the father of the meat industry in China and an innovator of branded meat products. He led the Group in its growth from a local meat processor in China into the largest producer of pork products in the world. Mr. Larry Pope, our Executive Director and the President and Chief Executive Officer of Smithfield, has more than 33 years of experience in the pork industry. He brings to the Group his experience and foresight in business operations across a global platform. Mr. Guo Lijun, our Executive Director, Vice President and Chief Financial Officer of the Group, Mr. Yang Zhijun, our Executive Director and Vice President of the Group, and Mr. Zhang Taixi, our Executive Director of the Group and President of Shuanghui Development, each provide great contributions to the Group with their outstanding leadership and experience in business operations, significantly contributing to the fast growth and international expansion of the Group.

The management team has also benefitted from the support of institutional investors, such as CDH and Goldman Sachs, who have provided financial and business insights and management guidance.

OUR STRATEGIES

We will continue to adhere to our business principles of providing high quality and safe animal protein to consumers globally and promoting social responsibility. We believe that our relentless pursuit of these goals will lead to sustainable growth, solidify our global leadership and create long-term value for our shareholders, employees and our communities.

Solidify our industry leading position by gaining additional market share

Our goal is to strengthen our global market leadership and accelerate our global expansion. We plan to achieve this goal by continuing to take advantage of our vertically integrated business model to penetrate target markets globally, expand our scale and gain additional market share.

In China, we plan to increase investment in our businesses, expand our production capacity and optimize the location of our production bases. We believe that consolidation in China's pork industry will accelerate, and we intend to position ourselves to benefit from this trend. The pork processing market in China is highly fragmented. In recent years, market consolidation has accelerated due to heightened food safety awareness and beneficial government policies. In China, the top five packaged pork companies and fresh pork companies had aggregate market shares of 24.3% and 4.7% in 2008, which increased to 27.3%, and 8.2% in the nine months ended September 30, 2013. Current market concentration, however, is still much lower than that in more mature markets such as that in the U.S., which was 38.7% and 68.7% for the nine months ended September 30, 2013. As the largest pork processor in China, we believe that we are well-positioned to benefit from market consolidation. To achieve this goal, we plan to increase investment in target markets, expand production capacity and deploy more advanced technologies to grow our market share.

In the U.S., we plan to increase our exports in order to boost our capacity utilization. By increasing exports from the U.S. to China and other markets, we expect to further improve capacity utilization and increase profitability.

Globally, we plan to further expand by selectively pursuing acquisitions of attractive businesses and brands as opportunities arise, in addition to organic growth. Although we currently have not identified any specific acquisition targets, we believe that successfully implementing a disciplined acquisition strategy will help us continue to strengthen our global market leadership and expand into new markets globally.

Maximize synergies within our vertically integrated global platform

We plan to maximize synergies from our merger with Smithfield. For several years prior to the merger, members of our combined management team have collaborated on business transactions. Building on these existing core relationships, we have established a dedicated management committee responsible for optimizing post-merger synergies.

In the initial phase of integration, we intend to prioritize the following:

- Increase exports of U.S. chilled and frozen pork and by-products to our China and other markets by leveraging our global integrated platform and our competitive cost structure in the U.S.

- Launch new packaged meat products in China by leveraging Smithfield's brand recognition, reputation for safe and premium products, U.S.-sourced pork and Smithfield technologies, building on the foundation of Shuanghui's knowledge of local consumer preferences and extensive sales and distribution network.

- Increase the sharing of operational and financial best practices, technology and market knowledge across our global platform to further strengthen our competitiveness, improve food safety control mechanisms, enhance productivity and improve profitability. Shared information includes quality control, pork production and processing techniques in the U.S. and processing techniques for pork by-products in China, which result in achieving higher values per hog.

- Integrate back-office and management systems, such as establishing an integrated information management system that allows for a global approach to budgeting, information management and capital efficiency. We expect these enhancements to streamline business operations and reduce operating costs.

- Leverage long-standing customer relationships to create sales opportunities in new markets and distribution channels.

Enhance our portfolio of brands, and increase our brand recognition and reputation

We plan to implement a brand strategy that will reinforce our market leadership globally. We intend to strengthen our existing brands through further increasing brand recognition and reputation, which we believe will build greater brand equity, attract customers and improve customer loyalty, contributing to gains in market share.

Product innovation will continue to be a key part of the strategy to strengthen our brands. We are committed to optimizing our product mix across categories and geographies, which we believe will enhance demand for our products and boost our sales and profitability. In China, we will place greater emphasis on the middle to premium segments of the market. We plan to launch premium packaged meat products in China by leveraging Smithfield's brand recognition and using U.S.- sourced pork and Smithfield technologies. We will also continue to develop new products to appeal to regional tastes and to improve product flavoring and packaging. For instance, we have developed Harbin Sausages (哈爾濱紅腸) and Russian Grilled Sausages (俄式烤香腸) for northeastern China, Crispy Lingnan Sausages (嶺南風味脆皮腸) for southern China, and Shanghai Sausages (上海風味大紅腸) for eastern China. In the U.S., we expect our innovation initiatives to focus primarily on the introduction of additional health and wellness products, packaging advances and differentiation in products with better flavors or products that improve consumer convenience. Our new Innovation Center and Pilot Plant will be central to these initiatives.

We intend to excel in our key global and domestic markets by reinforcing our multi-brand strategy and implementing targeted marketing campaigns. In China, we will increase brand recognition by deepening the penetration of our current distribution channels and expanding our retail presence. We will also continue to sponsor sport teams and events such as the China National Swimming Team and Women's Volleyball Elite Match, and strengthen online and offline promotion activities such as advertising and experience-based marketing, new product promotion, and roadshow and exhibition to further enhance our brand reputation. In the U.S., we are focused on expanding the market share of our flagship revenue, Eckrich, Smithfield and Farmland brands. We plan to expand our retail distribution market share for Eckrich smoked sausage, Smithfield and Farmland bacon, Smithfield marinated pork, Farmland "oven perfect" products, "Lunchmaker" portable meals, Armour

sliced dry sausage, and Nathans Hot Dogs, for which we recently obtained long term use rights. We also expect to strengthen current advertising and marketing campaigns and to launch new programs to elevate our market positioning and pricing power, building on our past successes, such as our partnership with Richard Petty Motorsports and our primary sponsorship of the NASCAR Sprint Cup Series. In addition to our global and national brand strategies, we will strive to maintain our regional brands as the top ranked brands in their respective regions.

Uphold our commitment to food safety and product quality

We intend to uphold our commitment to food safety and product quality by leveraging our vertically integrated platform to ensure consistently high standards throughout the value chain:

- We intend to achieve greater traceability of our products globally and maintain the highest quality standards in all of our business units. To this end, we plan to improve our safety and quality monitoring systems across the entire value chain in China by applying industry best practices developed in our U.S. operations and increasing investment in our production facilities.

- In the U.S., we will continue to promote our sustainability program, which focuses on six key areas: animal care, employees, environment sustainability, food safety and quality, helping communities and value creation. As a part of this program, we plan to enhance transparency and our accountability to our customers and stakeholders by releasing annual sustainability reports that assess our progress in achieving these goals. Meanwhile, we intend to adopt annual goals that keep us at the forefront of the industry in sustainability.

Expand our sales and distribution network

We intend to expand our sales and distribution network globally to penetrate new geographic markets, further gain market share in existing markets and access a broader range of customers:

- Achieve full channel coverage in China through a multi-channel strategy. To reach this goal, we plan to further expand our sales channels by increasing coverage of hypermarkets and penetrating other specialty channels including schools, luxury hotels, restaurant chains, highway service areas and airports. We will continue to engage distributors nationwide to expand our sales network, leveraging their local resources to quickly enter new markets, while also minimizing requirements for capital outlay. Furthermore, we plan to leverage Smithfield's existing relationships with global food retailers and global quick services restaurants (QSRs) to significantly increase our coverage of the food retail channel in China.

- Continue to expand our logistics operations, which complement our global distribution network, and increase our presence in both new and existing markets. For example, we aim to boost sales of low temperature packaged meat and fresh pork products in major cities in China by improving and expanding our cold-chain logistics network. We plan to achieve this by scaling up our logistics capacity and extending the geographic coverage of our logistics system to ensure efficient, accurate, reliable and secure distribution.

- In our U.S. and international operations, we plan to explore opportunities in new markets and expand our export businesses, leveraging our broad customer base and working closely with the USDA, the U.S. Meat Export Federation and National Pork Board, which help promote exports of U.S. agricultural products and provide support in lowering trade barriers. We also intend to broaden our sales coverage of retail and food service channels and drive growth of our branded packaged meat products, such as the distribution of Eckrich products through Wal-Mart stores nationwide.

OUR PRODUCTS

We are the world's largest pork company, with number one positions in China, the U.S. and key markets in Europe. Our unique global platform integrates hog production, hog slaughtering and the processing and distribution of packaged meats and fresh pork, placing us in the number one position in all of the key segments of the pork industry. We see significant growth opportunities as we match pork supply with demand on a global basis.

Although we manage our businesses as a globally integrated company, based on our historical development our operations can be viewed as comprising three parts: (i) Shuanghui Development, our A Share-listed subsidiary that conducts most of our business in China; (ii) our unlisted ancillary businesses in China, primarily consisting of our logistics business; and (iii) our U.S. and international operations, which are conducted through Smithfield, acquired by us in September 2013. Our net profit/(loss) attributable to the unlisted ancillary businesses in China was US$(28.5) million, US$3.5 million and US$14.9 million, for the years ended December 31, 2011, 2012 and 2013, respectively, based on the Group's organization structure and our effective equity interest in the unlisted ancillary businesses in China as of December 31, 2013. For more details about our logistics business, the primary component of our unlisted ancillary businesses in China, please see the section headed "— Logistics and Transportation".

We currently operate our business through three main segments, namely our packaged meat products segment, fresh pork segment and hog production segment. Summary descriptions of our main business segments are set forth below.

- *Packaged Meat Products.* We are the global leader in the packaged meat products market.

  ➢ For the years ended December 31, 2011, 2012 and 2013, turnover generated from our packaged meat products segment in China amounted to approximately US$3,129 million, US$3,639 million and US$4,074 million, respectively.

  ➢ For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's packaged meat products segment in the U.S. amounted to approximately US$5,716.7 million, US$6,000.3 million, US$6,150.4 million and US$4,510.4 million, respectively.

  - ➢ For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's international packaged meat products segment amounted to approximately US$593.3 million, US$644.1 million, US$683.2 million and US$450.6 million, respectively.

- *Fresh Pork.* Our fresh pork segment includes our hog slaughtering operations and our sales of fresh pork products. We have number one position in both hog slaughtering and sales of fresh pork.

  - ➢ For the years ended December 31, 2011, 2012 and 2013, turnover generated from our fresh pork segment in China amounted to approximately US$2,095 million, US$2,419 million and US$3,010 million, respectively.

  - ➢ For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's fresh pork segment in the U.S. amounted to approximately US$4,516.7 million, US$5,055.6 million, US$4,884.3 million and US$3,556.6 million, respectively.

  - ➢ For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's international fresh pork segment amounted to approximately US$705.9 million, US$777.6 million, US$735.6 million and US$589.3 million, respectively.

- *Hog Production.* We are the world's largest hog producer. The majority of the hogs we produce are supplied to our fresh pork and packaged meat products segments.

  - ➢ For the years ended December 31, 2011, 2012 and 2013, turnover generated from our hog production segment in China amounted to approximately US$14 million, US$13 million and US$16 million, respectively.

  - ➢ For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's hog production segment in the U.S. amounted to approximately US$592.1 million, US$608.0 million, US$755.0 million and US$461.2 million, respectively.

  - ➢ For the Smithfield 2011, 2012 and Smithfield 2013 Fiscal Years and the eight months ended December 29, 2013, revenue generated from Smithfield's international hog production segment amounted to approximately US$3.3 million, US$8.7 million, US$12.6 million and US$5.6 million, respectively.

In addition to our three main segments, we also engage in certain other businesses that are ancillary to our primary business segments. In China, these mainly include manufacturing and sales of packaging materials, provision of logistics services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceutical materials. For the years ended December 31, 2011, 2012 and 2013, turnover generated from our other businesses in China amounted to approximately US$217 million, US$172 million and US$307 million, respectively.

Packaged Meat Products

We are the leader for packaged meat and packaged pork products in China. For the nine months ended September 30, 2013, our 18.7% market share in China's packaged pork market exceeded the market share of our ten closest competitors combined, according to Frost & Sullivan. We have an extensive sales and distribution network covering all major sales channels in China. We are also the largest packaged pork company by a significant margin in the U.S. and the largest packaged pork supplier to the two largest U.S. sales channels: retailers and food service companies. We have a portfolio of leading brands across numerous packaged pork categories in the U.S., including ham, sausage and bacon. We are also the largest U.S. exporter of packaged pork products according to Frost & Sullivan.

The table below sets forth the sales volume of our packaged meat products in China and the sales volume of Smithfield's packaged meat products in the U.S. and internationally for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	Sales Volume		Sales Volume		Sales Volume	
	(million metric tons, except percentages)					
China Packaged Meat Products	1.4	50.0%	1.6	51.6%	1.7	53.1%
Smithfield's U.S. Packaged Meat Products[1]	1.2	42.9%	1.3	41.9%	1.3	40.6%
Smithfield's International Packaged Meat Products[1]	0.2	7.1%	0.2	6.5%	0.2	6.3%
Total	2.8	100.0%	3.1	100.0%	3.2	100.0%

(1) We acquired Smithfield by way of merger on September 26, 2013.

China Packaged Meat Products

We produce a diverse range of packaged meat products in China, including sausage, ham, Chinese-style meat products and frozen meat products. As of the Latest Practicable Date, in China we had over 200 product series of packaged meat products.

For the years ended December 31, 2011, 2012 and 2013, we sold approximately 1.4 million metric tons, 1.6 million metric tons and 1.7 million metric tons of packaged meat products in China, respectively, generating turnover of approximately US$3,129 million, US$3,639 million and US$4,074 million, respectively.

The table below sets forth certain information about our selected packaged meat product series. All of our packaged meat products in China are currently marketed under the "Shuanghui" brand.

Product Series	Description	Retail Market Price Range (as of the Latest Practicable Date)
		(RMB)
King of Kings (王中王)	Premium ham sausages	1.0-1.5/38g
Instant Noodle Partner (泡面拍檔)	Ham sausages for instant noodles	1.0-1.2/45g
Pork Morsel Sausage (大肉塊特製香腸)	Sausage with morsels of pork	8.5-9.5/240g
Hot Dog with Corn (玉米熱狗腸)	Hot dogs with corn kernels	1.0-1.5/40g
Spicy Crispy Sausage (香辣香脆腸)	Snack sausages	1.0-1.5/35g
Reformed Elbow Ham (肘花火腿)	Refrigerated premium ham	13.0-14.9/260g
Luncheon Square Sausage (午餐方腿)	Refrigerated premium luncheon ham	10.0-10.9/400g
Cooked, Marinated Pork Head (醬鹵豬頭肉)	Chinese-style cooked, marinated pork head	16.5-18.0/250g
Shuanghui Grilled Chicken (雙匯燒雞)	Chinese-style cooked chicken	30.0-32.8/550g
Taiwan Roast Sausages (台灣風味烤香腸)	Taiwanese style sausage	1.0/38g

We develop new packaged meat products in China to respond to evolving consumer demand. Our current product development initiatives for packaged meat products are primarily as follows:

- *Premier Packaged Meat Products*. We intend to develop American-style packaged meat products designed to appeal to the palate of Chinese consumers demanding Western products, using premium-quality pork from our operations in the U.S. We also plan to capitalize on the rising disposable income and living standards in China by developing premium packaged meat products made from quality cuts, such as tenderloins.

- *Updated Chinese Heritage Products*. To satisfy consumer demand for premium traditional Chinese-style packaged meat products, we intend to improve certain of our products, including our Chinese-style cooked meat, frozen meat balls and preserved meat products, by standardizing the production of these products.

- *Leisure Snacks*. We plan to expand our portfolio of leisure snacks by developing new products, such as dried pork and beef, to appeal to the increasingly discerning tastes of Chinese consumers.

- *Better-for-You Food Products*. Given the growing health consciousness among Chinese consumers, we are developing new, healthier and more nutritious products by adding new ingredients, such as grains, fruit, eggs, vegetables, milk and dietary fiber.

- *Products for Food Service Companies*. China's continuing urbanization has led to the growth of food service companies, such as hotels, restaurant chains and catering services. We plan to develop more packaged meat products tailor-made for food service companies, such as frozen meat rolls and sausages.

We closely track sales for each newly-developed packaged meat product. In each of the years ended December 31, 2011, 2012 and 2013, the sales volumes of our packaged meat products launched within the preceding two years contributed approximately 10% of the total sales volumes of our packaged meat products in China. We believe that our experience in successfully developing and promoting new products and our understanding of market consumption trends will help us to continue to successfully develop new products in the future. In turn, this will optimize the life-cycle portfolio of our packaged meat products, helping us to maintain sustainable growth in our scale and efficiency.

U.S. Packaged Meat Products

We are the leading player in the packaged pork product market in the U.S. according to Frost & Sullivan. We produce a wide variety of packaged meat products, including smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dried meat products, and ready-to-eat prepared foods, such as pre-cooked entrees and pre-cooked bacon and sausage. Our U.S. product lines also include lower-fat and lower-salt packaged meat products, including low-fat, value-priced luncheon meats, smoked sausages and hot dogs, as well as 97% fat-free deli hams and 35% lower-fat bacon.

For the years ended December 31, 2011, 2012 and 2013, Smithfield sold 1.2 million metric tons, 1.3 million metric tons and 1.3 million metric tons of packaged meat products in the U.S., respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield sold 1.2 million metric tons, 1.3 million metric tons, 1.3 million metric tons and 0.9 million metric tons of packaged meat products in the U.S., respectively, generating revenue of approximately US$5,716.7 million, US$6,000.3 million, US$6,150.4 million and US$4,510.4 million, respectively.

We market our U.S. packaged meat products under a number of different labels by region and targeted consumer segment and have the following 12 core brand names: Smithfield, Farmland, John Morrell, Gwaltney, Armour, Eckrich, Margherita, Carando, Kretschmar, Cook's, Curly's and Healthy Ones. Our Smithfield and Farmland brands each have over a billion dollars in annual retail sales. We also sell a number of our packaged meat products in the U.S. under private-label products, approximately 26% in the Smithfield 2013 Fiscal Year.

The table below sets forth Smithfield's top 10 U.S. branded packaged meat products by sales volume in the eight months ended December 29, 2013.

	Brand	**Description**	**Estimated Retail Price Range Per kg as of December 29, 2013**
			(USD)
	Smithfield	Smoked bone-in ham portion with center slices removed (approximately 20-25% of a whole smoked ham)	3.12 - 5.05
	Gwaltney	Poultry based hotdog (packaged in one pound packages)	2.50 - 4.02
	Gwaltney	Poultry based hotdog (packaged in three pound packages)	2.85 - 5.54
	Cooks	Smoked bone-in ham portion with center slices removed (approximately 20-25% of a whole smoked ham)	3.60 - 4.47
	Eckrich	Natural casing smoked sausage	4.38 - 6.27

	Brand	Description	Estimated Retail Price Range Per kg as of December 29, 2013
			(USD)
	Smithfield	Ready-to-cook bacon (packaged in one pound packages)	7.79 - 10.79
	Eckrich	Smoked sausage	4.81 - 9.11
	Cooks	Smoked bone-in ham portion with center slices removed (approximately 20-25% of a whole smoked ham)	3.82 - 4.53
	Farmland	Smoked boneless ham	4.93 - 7.95
	Farmland	Ready-to-cook bacon (packaged in one pound packages)	8.72 - 11.85

We endeavor to maintain our market-leading position in the U.S. packaged pork industry through product innovation. Our focus areas for our product innovation include:

- *Packaging*. We develop our packaging with the aim of differentiating our products by highlighting product quality and convenience. For example, our perforated portion packs provide consumers Smithfield bacon in two easy-peel pouches, maintaining product freshness and reducing waste. We continuously adopt new packaging technology with new features and benefits.

- *Health and Wellness*. We aim to meet consumer demand by providing healthy foods that are low in sodium, rich in lean protein and made with all natural ingredients that increase the well-being of consumers. For example, our all-natural sodium replacer provides the function and taste of salt without the negative nutritional effects of high sodium content.

- *Convenience*. We deliver quality and tasty packaged meat products in ready-to-heat and ready-to-eat formats, providing consumers with convenient, time-saving solutions. For example, our convenient on-the-go packaging provides meal and snack solutions at any time and any place, including our “lunch-maker” and “cook-in-the-package” packaging.

- *Taste*. We believe that taste is the most important consumer driver in any food category. Our bacon is combined with quality deli meat for a totally new taste experience, and our smoked sausage offers bold and spicy taste combined with a smoky deliciousness.

International Packaged Meat Products

Our packaged meat products in our international operations consist of packaged meat products produced in Poland. In Poland, we market these packaged meat products under our Krakus, Morliny and Yano brands. We also sell a portion of these packaged meat products from our operations in Poland into the UK. For the years ended December 31, 2011, 2012 and 2013, Smithfield sold approximately 190,461.6 metric tons, 190,159.5 metric tons and 197,786.0 metric tons of packaged meat products internationally, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield sold 194,804.3 metric tons, 183,202.3 metric tons, 198,257.1 metric tons and 134,263.3 metric tons of packaged meat products internationally, respectively, generating revenue of approximately US$593.3 million, US$644.1 million, US$683.2 million and US$450.6 million, respectively.

We also have a 37% equity interest in Campofrio, which is the largest European packaged meat company by sales according to Frost & Sullivan and is headquartered in Madrid, Spain, with operations in Spain, France, the Netherlands, Belgium and Portugal. For further details, see the section headed "— Our Investment Interests" in this section.

Fresh Pork

Our fresh pork segment includes our hog slaughtering operations and our sales of fresh pork products. We have number one position in both hog slaughtering and sales of fresh pork. We are the largest producer of fresh pork products in the world in terms of volume with 3.1% market share in the nine months ended September 30, 2013, which was significantly larger than that of our competitors according to Frost & Sullivan. Our fresh pork products consist of chilled and frozen meats.

The table below sets forth the number of hogs processed and fresh pork production and sales volumes in China and those for Smithfield in the U.S. and internationally for the periods indicated.

	Year ended December 31,								
	2011			2012			2013		
	Hogs Processed	Production Volume	External Sales Volume	Hogs Processed	Production Volume	External Sales Volume	Hogs Processed	Production Volume	External Sales Volume
	(million head)	(million metric tons)	(million metric tons)	(million head)	(million metric tons)	(million metric tons)	(million head)	(million metric tons)	(million metric tons)
China Fresh Pork	10.0	1.0	0.7	11.4	1.2	0.9	13.3	1.3	1.0
Smithfield's U.S. Fresh Pork[(1)]	27.5	2.7	1.7	28.3	2.8	1.7	28.7	2.9	1.7
Smithfield's International Fresh Pork[(1)]	2.9	0.3	0.2	3.3	0.3	0.2	3.7	0.3	0.3
Total	40.4	4.0	2.6	43.0	4.3	2.8	45.7	4.5	3.0

(1) We acquired Smithfield by way of merger on September 26, 2013. Smithfield's pre-merger external sales volumes for fresh pork products contained sales to the Group.

China Fresh Pork Operations

As of the Latest Practicable Date, our fresh pork segment had 17 slaughtering facilities across China, with an aggregate processing capacity of approximately 20 million hogs per annum. One of the 17 slaughtering facilities is still under construction and is expected to commence commercial operations by the end of April 2014. For the years ended December 31, 2011, 2012 and 2013, our fresh pork segment in China processed approximately 10.0 million, 11.4 million and 13.3 million hogs, respectively.

We source substantially all of the hogs that we process in China from external suppliers. We purchased approximately 13,048,400 market hogs for our slaughtering operations in China in the year ended December 31, 2013 in addition to the approximately 262,000 market hogs that we produced for our slaughtering operations, for a total of approximately 13,310,400 hogs processed in China.

We are the largest fresh pork producer in China, with a market share of 2.6% in terms of volume in the nine months ended September 30, 2013, according to Frost & Sullivan. For the years ended December 31, 2011, 2012 and 2013, we sold 0.7 million metric tons, 0.9 million metric tons and 1.0 million metric tons of fresh pork in China, respectively, generating turnover of US$2,095 million, US$2,419 million and US$3,010 million, respectively. We sell a substantial portion of our fresh pork to our customers as trimmed cuts, such as picnic shoulder, ham, spare ribs, coins, ribs and pork offals. We use most of the remaining fresh pork in our packaged meat production.

U.S. Fresh Pork Operations

Our U.S. fresh pork operations include nine slaughtering plants, with an aggregate processing capacity of 30.2 million hogs per annum as of December 29, 2013. For the years ended December 31, 2011, 2012 and 2013, Smithfield processed approximately 27.5 million, 28.3 million and 28.7 million hogs, respectively, and sold 1.7 million metric tons, 1.7 million metric tons and 1.7 million metric tons of fresh pork products from its U.S. operations, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield processed approximately 27.4 million, 27.8 million, 28.5 million and 19.3 million hogs, respectively, and sold 1.6 million metric tons, 1.7 million metric tons, 1.7 million metric tons and 1.2 million metric tons of fresh pork from its U.S. operations, respectively, generating revenue of approximately US$4,516.7 million, US$5,055.6 million, US$4,884.3 million and US$3,556.6 million, respectively.

We source a significant portion of the hogs for our slaughtering operations in the U.S. from our U.S. hog production operations. In the year ended December 31, 2013, Smithfield produced 14.3 million of the 28.7 million hogs that it slaughtered in the U.S., or 49.8%, and the remaining 14.4 million hogs were purchased from external suppliers.

We are the largest U.S. pork exporter. Smithfield accounted for approximately 36.70% of all U.S. pork exports in terms of export volume in the nine months ended September 30, 2013, according to Frost & Sullivan. We export U.S. fresh pork products to numerous global markets, including Mexico, Japan, China and Hong Kong, Russia and Canada. For the eight months ended December 29, 2013, approximately 20% of Smithfield's fresh pork product exports in terms of gross sales were exported to China and Hong Kong. We believe that there are significant growth opportunities as we tailor products from our U.S. fresh pork operations to meet demand from China. In particular, we have begun transitioning a portion of our hog production in the U.S. away from the use of the hog feed additive ractopamine in order to meet PRC import requirements. In the U.S., we had daily ractopamine-free hog production of approximately 36,000 hogs and ractopamine-free processing capacity of 43,100 hogs as of December 31, 2013. We expect to have daily ractopamine-free hog production capacity of 56,000 hogs and daily ractopamine-free processing capacity of 63,800 hogs by July 2014. We believe that this transition will make us the U.S. market leader in terms of ractopamine-free pork production and processing.

International Fresh Meat Operations

Our international fresh meat operations include our fresh meat operations in Poland and Romania. In Poland, we had hog processing capacity of 3.1 million hogs per annum as of December 29, 2013. In addition to our fresh pork operations in Poland, we have poultry processing operations where we primarily process chickens, geese and turkeys. In Romania, we had hog processing capacity of 1.1 million hogs per annum as of December 29, 2013. For the years ended December 31, 2011, 2012 and 2013, Smithfield's international fresh meat operations processed approximately 2.9 million, 3.3 million and 3.7 million hogs, respectively, and sold 185,157.3 metric tons, 223,991.2 metric tons and 311,136 metric tons of fresh pork products, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield's international fresh pork segment processed approximately 3.0 million, 2.9 million, 3.5 million and 2.5 million hogs, respectively, and sold 181,141.2 metric tons, 189,163.4 metric tons, 255,759.0 metric tons and 215,456.4 metric tons of fresh meat, respectively, generating revenue of approximately US$705.9 million, US$777.6 million, US$735.6 million and US$589.3 million, respectively.

For our slaughtering operation in our international segment, we also primarily source hogs from our own hog production operations. In the Smithfield 2013 Fiscal Year, Smithfield produced 2.4 million of the 3.5 million hogs it slaughtered in its international segment and the remaining 1.1 million hogs were purchased from external suppliers.

Hog Production

We are the world's largest hog producer. Smithfield produced approximately 16.0 million hogs in the U.S. in the Smithfield 2013 Fiscal Year. In the nine months ended September 30, 2013, Smithfield produced nearly twice the number of hogs produced by our next largest U.S. competitor and more than the number of hogs produced by the next two largest competitors combined, according to Frost & Sullivan. In 2013, Smithfield produced approximately an aggregate of 2.5 million hogs in Poland and Romania, and we produced approximately 317,700 hogs in China. The table below sets forth the total number of hogs produced by us in China and produced by Smithfield in the U.S. and internationally for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	(million head, except percentages)					
China Hog Production	0.3	1.6%	0.3	1.6%	0.3	1.6%
Smithfield's U.S. Hog Production[1]	15.9	86.0%	15.7	85.4%	16.3	85.3%
Smithfield's International Hog Production[1]	2.3	12.4%	2.4	13.0%	2.5	13.1%
Total	18.5	100.0%	18.4	100.0%	19.1	100.0%

Note:

(1) We acquired Smithfield by way of merger on September 26, 2013.

China Hog Production

In our hog production segment in China, we engage in breeding and commercial feedlot operations, which primarily supply commercial hogs to our fresh pork segment in China. As of the Latest Practicable Date, our hog production segment in China owned and operated seven large-scale feedlots, all of which are located in Henan Province, China. As of December 31, 2011, 2012 and 2013, we had 16,680, 16,284 and 16,158 sows in our China hog production segment, respectively. We produced approximately 303,100, 305,500 and 317,700 hogs in China in the years ended December 31, 2011, 2012 and 2013, respectively. Nearly all of the hogs we produced in China are used in our fresh pork and packaged meat production. Our external hog sales generated turnover of US$14 million, US$13 million, and US$16 million in China for the years ended December 31, 2011, 2012 and 2013, respectively.

The table below sets forth the number of hogs we produced in our hog production segment in China in the periods indicated, as well as a breakdown of the internal and external sales of the hogs produced.

	Year ended December 31,					
	2011		2012		2013	
	(thousand head, except percentages)					
China Internal Hog Sales	279.6	92.2%	271.0	88.7%	268.7	84.6%
China External Hog Sales[(1)]	23.5	7.8%	34.5	11.3%	49.0	15.4%
Total	303.1	100.0%	305.5	100.0%	317.7	100.0%

Note:

(1) Our sales to third parties primarily consist of sales of breeding stock.

All feedstuffs used in our hog production segment in China are produced by our feedstuff production plant located in Luohe, Henan Province, enabling us to more effectively control the quality and efficiency of our hog production by adjusting the ingredients in our feedstuffs.

U.S. Hog Production

Our hog production operations in the U.S. make us the largest hog producer in the world. We produce hogs in the U.S. on company-owned farms and on contract farms. Substantially all of the hogs produced in our U.S. hog production operations are used in our fresh pork and packaged meat operations in the U.S. We had approximately 500 company-owned farms and approximately 2,190 contract farms in the U.S. as of December 29, 2013. Under our contract farm arrangements, contract farmers provide the initial facility investment, labor and frontline management in exchange for fixed service fees to raise hogs produced from our breeding stock under agreements typically ranging between five and ten years. We retain ownership of the hogs raised by our contract farmers. In the Smithfield 2013 Fiscal Year, approximately 74% of Smithfield's hogs produced in the U.S. were finished on contract farms.

As at the end of the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield had approximately 827,000, 850,000, 853,000 and 893,720 sows in total in its hog production segment in U.S., respectively. Smithfield produced in the U.S. approximately 16.4 million, 15.8 million, 16.0 million and 12.7 million hogs in the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue from Smithfield's hog production segment in the U.S. amounted to approximately US$592.1 million, US$608.0 million, US$755.0 million and US$461.2 million, respectively.

The table below shows the total number of hogs produced by Smithfield in the U.S. for the periods indicated as well as a breakdown of internal and external sales of the hogs produced.

	Smithfield 2011 Fiscal Year		Smithfield 2012 Fiscal Year		Smithfield 2013 Fiscal Year		Eight months ended December 29, 2013	
	(million head, except percentages)							
U.S. Internal Hog Sales	13.3	81.1%	13.2	83.5%	13.7	85.6%	11.3	89.0%
U.S. External Hog Sales	3.1	18.9%	2.6	16.5%	2.3	14.4%	1.4	11.0%
Total	16.4	100.0%	15.8	100.0%	16.0	100.0%	12.7	100.0%

We believe that our hog production segment in the U.S. provides competitive advantages including:

- *High traceability for food safety*. Our hog production segment in the U.S. provides us traceability from the conception of hogs to the market place, which in turn provides us unique branding and marketing opportunities in China, the world's largest pork consumption market, where consumer food safety concerns have been rapidly increasing in recent years.

- *Reduced exposure to systemic risk in the pork industry*. Our hog production segment in the U.S. gives our operations a significant degree of vertical integration, reducing our exposure to the cyclical changes in global pork demand dynamics and the fluctuations in profitability historically experienced by the U.S. pork industry.

- *Producing differentiated pork products from premium genetic lines*. Our premium genetic lines of specialized breeding stock, marketed under the name Smithfield Premium Genetics, enable us to produce and market differentiated pork products. We believe that the leanness and increased meat yields of the hogs produced using Smithfield Premium Genetics also enhance the profitability of our operations in the U.S. with respect to both our fresh pork segment and packaged meat products segment. In the Smithfield 2013 Fiscal Year, each of the approximately 16.0 million hogs produced by Smithfield in the U.S. were from Smithfield Premium Genetics breeding stock.

- *Advanced management techniques and economies of scale*. We use advanced management techniques to produce premium quality hogs on a large scale at low cost. We develop breeding stock, optimize diets for our hogs at each stage of the growth process, process feedstuffs for our hogs and use advanced hog-housing facilities. We believe our economies of scale and production methods, together with our use of Smithfield Premium Genetics, make us a low cost producer of premium quality hogs; and

- *Ability to tailor products to meet the requirements and demand of different export markets*. Through our hog production, we tailor our products to meet the requirements and demand of different export markets. For example, we have begun transitioning a portion of our hog production operations in the U.S. away from the use of ractopamine in order to meet PRC import requirements. We believe that this transition will make us the U.S. market leader in

terms of ractopamine-free pork production and processing. As of December 31, 2013, we had daily ractopamine-free hog production of approximately 36,000 hogs and daily ractopamine-free hog processing capacity of 43,100 hogs in the U.S., which could be utilized for export to countries restricting pork from ractopamine-fed hogs. We expect to have daily ractopamine-free hog production of 56,000 hogs and daily ractopamine-free processing capacity of 63,800 hogs by July 2014.

International Hog Production

Our international hog production operations include our hog production operations located in Poland and Romania. Substantially all of the hogs produced by our wholly owned subsidiaries in Poland and Romania are used to supply hogs for our fresh pork and packaged meat products in our international operations.

As of December 29, 2013, we had approximately 80,000 sows, six self-owned sow farms, 16 contract sow farms, 11 company owned finishing farms and numerous contract finishing farms in Poland. Our hog production capacity in Poland was approximately 1.5 million hogs per annum. As of December 29, 2013, we had approximately 46,500 sows, eight self-owned sow farms, 36 self-owned finishing farms and eight contract finishing farms in Romania. Our hog production capacity in Romania was approximately 0.9 million hogs per annum. Smithfield's international hog production segment produced approximately 2.3 million, 2.4 million and 2.5 million hogs in the years ended December 31, 2011, 2012 and 2013, respectively. For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, revenue from Smithfield's international hog production segment amounted to approximately US$3.3 million, US$8.7 million, US$12.6 million and US$5.6 million, respectively.

OUR INVESTMENT INTERESTS

Campofrio

We hold a 37% equity interest in Campofrio, a packaged meat products company headquartered in Madrid, Spain, with operations in Spain, France, the Netherlands, Germany, Belgium, Italy, Portugal and the U.S. and market penetration into 27 European Union countries. Campofrio, the largest European packaged meat company by sales according to Frost & Sullivan, is currently listed on the Madrid and Barcelona stock exchanges and had a market capitalization of approximately US$958 million as of the Latest Practicable Date. Campofrio had revenue of €1.9 billion in its 2012 fiscal year.

Campofrio's portfolio of brands for its packaged meat products have leading positions in numerous European countries, including Spain, Portugal, Italy, France, the Netherlands and Belgium. These brands include the Campofrio, Fiorucci, Carolli, Cesar Moroni, Revilla, Aoste, Nobre, Stegeman, Marcassou, Navidul and Noere brands. Campofrio has packaged meat products covering all key product segments, with particular focus on dry sausages as well as dried and cooked ham. It has market leading positions in cured and dried hams, hot dogs, bacon, deli meats, dry sausages, chorizo, and cocktail sausage.

We are currently seeking authorization from the Spanish securities regulator for a joint tender offer bid with Sigma Alimentos S.A. de C.V. ("**Sigma**") for the shares of Campofrio. The authorization request was still pending as of the Latest Practicable Date. If the joint tender offer is completed, we will hold continue to beneficially own an approximately 37% equity interest in Campofrio. Sigma owned an approximately 45% equity interest in Campofrio as of the Latest Practicable Date, and will finance the purchase of any Campofrio shares that are tendered. Subject to certain conditions being met, we and Sigma have agreed to take necessary steps to de-list Campofrio following the completion of the joint tender offer. For further information, see the section headed "History, Development and Corporate Structure — Our History — Investment in Campofrio".

Mexican Joint Venture Interests

We have joint venture interests in two pork companies in Mexico, Granjas Carroll de Mexico ("GCM") and Norson Holdings ("Norson"). GCM had approximately 66,004 sows as of December 29, 2013 located on farms in the states of Veracruz and Puebla. GCM sells live hogs into the Mexico City market, one of the largest markets in the world. Norson had approximately 30,422 sows as of December 29, 2013 located on farms in the state of Sonora. Norson primarily produces hogs for use in its fresh pork operations.

QUALITY CONTROL AND FOOD SAFETY

We are committed to providing quality and reliable products in a responsible manner. Our China, U.S. and international operations follow comprehensive approaches to quality control which address each phase of production, from feedstuff production, to hog farms, to processing plants, to transportation and delivery. We believe that our vertical integration between hog production and fresh pork and packaged meat production provides us unique competitive advantages with regard to quality control.

Quality Control and Food Safety in China

Quality Control Management in China

Internal Quality Control Personnel

We have established a centralized quality control center for our operations in China. It functions independently across each stage of our operations in China, and manages and supervises the implementation of our quality control system in our procurement, production, logistics, sales and distribution processes. As of the Latest Practicable Date, our quality control center in China had a team of more than 800 quality control personnel. The majority of our quality control personnel have obtained tertiary education or university degrees or certifications in veterinary medicine, food control and/or food safety. Some of our quality control personnel have obtained professional quality assurance

certificates, such as meat inspection certifications and food inspection certifications from independent accreditation or trade bodies. In addition to managing and supervising implementation of our quality control system, our quality control center is also responsible for:

- designing and implementing quality control and food safety management plans;
- monitoring newly promulgated laws and regulations in relation to product quality and food safety and ensuring our compliance with those laws and regulations;
- supervising the implementation of quality certification protocols;
- formulating, improving and supervising the implementation of our standardized quality management system for procurement, production and sales and distribution; and
- identifying, evaluating and monitoring food safety risk relating to our operations.

External Quality Control Consultant

Since April 2011, we have entered into long-term cooperation agreements with China Certification & Inspection Group ("CCIG"), an independent quality inspection organization accredited by the relevant PRC authorities. Pursuant to the agreements, CCIG provides us with a comprehensive set of technical services to enhance our quality control and food safety management, primarily including:

- *Verifying Testing System for Lean Meat Powder*. Clenbuterol hydrochloride and ractopamine, generally known as "lean meat powder" in China together with other relevant chemicals, are prohibited from use as additives in animal feedstuffs in China. CCIG conducted on-site inspections of the quality control procedures implemented at the slaughtering stage of our operations in China to verify the effectiveness of our quality control system in testing to ensure no hogs which have been fed feed ingredients containing lean meat powder are processed.
- *Improving Quality Control Management System*. CCIG assists us in improving our quality control management system across all stages of our operations by measures including, among other things, assessing our internal quality standards, evaluating our suppliers, training our employees and checking our food safety control system.
- *Conducting Product Quality Random Checks*. CCIG conducted three rounds of random quality checks of our packaged meat products in our major target cities in China from 2011 to 2013. We believe that such measures help ensure the high quality of our products throughout our distribution network; and
- *Auditing the Implementation of Various Quality Certification Standards*. CCIG conducts inspections and examinations every year to audit the implementation of our various quality certification standards, including international standards such as ISO9001, ISO22000 and HACCP.

We believe that the independent review and technical expertise provided by CCIG is very important to our ensuring the quality of our products.

Quality Standards and Certifications in China

Our operations in China comply with international standards and we have obtained a series of certifications, such as ISO9001, ISO14001, ISO22000 and HACCP, for them. We obtained such certifications by applying to and passing documentary and on-site inspections by independent accreditation bodies. Our accreditated production facilities have implemented various control procedures in accordance with the requirements of such quality standards and certifications. As part of maintaining such certifications, our operations are subject to annual inspections by accreditation bodies. We also conduct our own annual evaluations and internal audits to monitor the effectiveness of such control procedures and to ensure strict compliance of our operations with the relevant standards.

Food Safety Management in China

In addition to our quality control system covering each stage of our operations, we have established a food safety control system to coordinate various aspects of our quality control system in relation to food safety issues. We have established a food safety management committee. The focus of our food safety management committee's responsibilities primarily includes:

- *Food Safety Internal Controls*. We have formulated and implemented a set of food safety internal control standards covering the food safety issues related to our research and development, procurement, production, storage, transportation and sales and distribution activities. We strictly implement such standards.

- *Control over our Supply Chain*. We believe that the quality of our raw materials is crucial to the food safety of our products. To maintain effective control over food quality, our quality inspection personnel conduct onsite inspections of the effectiveness of the quality control and food safety systems of our key suppliers, and may be stationed from time to time at the production facilities of our key suppliers to monitor their production.

- *Food Safety Risk Management*. Each of our departments, such as our research and development, procurement, production, logistics, sales and distribution and public relations departments, is responsible for collecting information about potential food safety risks involved in its particular area of responsibility. Our quality control personnel analyze and identify the category of risks involved. Our food safety management committee conducts monthly assessments of the potential food safety risks identified. Based on the assessed risk profile, we formulate corresponding action plans to proactively address any food safety issues.

- *Food Safety Emergency Response Management.* We have adopted a systematic food safety emergency response plan, identifying in detail response procedures and the responsibilities of each departments involved. We conduct periodic dry-runs of the plan, to ensure timely and appropriate response and action in respect of any food safely incident.

Quality Control over Raw Materials in China

The main raw material used in our production of fresh pork products in China is live hogs, while the main raw material used in our production of packaged meat products are fresh pork and other meats. Our raw materials also include packaging materials, feed grains and other ancillary materials. We have adopted a series of strict quality control measures with regard to the raw materials we purchase, primarily including:

Quality Control Measures for Live Hogs

- *Inspecting Certifications and Verification of Goods*. All live hogs we purchase must have passed government quarantine inspections. The suppliers must provide quarantine inspection certifications, and we verify the information indicated in the certifications against the actual goods delivered.

- *Guarantees from Suppliers*. With respect to the live hogs delivered by any supplier, the supplier is required to sign a guarantee in favor of the Company, guaranteeing that (i) all live hogs delivered are in compliance with the applicable animal quarantine and food safety laws, (ii) the feedstuffs used to produce the live hogs did not contain any ingredients prohibited by PRC law, including but not limited to clenbuterol hydrochloride and ractopamine, and (iii) the live hogs have passed all required government quarantine inspections. In the event of any false certifications by the supplier, we are entitled to destroy the sub-standard hogs and the supplier is responsible for reimbursing us the expenses incurred for destroying the sub-standard hogs.

- *Onsite Inspections*. We conduct onsite inspections with respect to all live hogs delivered to our slaughtering facilities in accordance with applicable PRC law. Such onsite inspections involve checking for any disease symptoms and the presence of defects such as lameness. We also conduct testing for any residue in the hogs of a group of chemicals generally known as lean meat powder in China, including clenbuterol hydrochloride and ractopamine.

- *Tracing and Record Keeping*. We record the batch number, number and quality of each batch of hogs delivered by our suppliers to ensure the traceability of the hogs purchased from each supplier. Each hog is marked with a unique number before processing. The relevant data for the processed hogs is uploaded into our computerized management system, enabling a digitalized tracing system.

- *Early-warning System*. Our quality control team prepares a monthly analysis of the quality of the live hogs purchased, flagging the regions with emerging outbreaks of hog disease or high detection rates of hogs which have been fed feed ingredients containing lean meat powder. We tighten our quarantine and inspection procedures accordingly for hogs purchased from the flagged regions or, if necessary, even suspend purchasing hogs from these regions.

Quality Control Measures for Other Raw Materials

- *Qualifications Assessment*. Our procurement, research and development and quality control personnel jointly assess the qualifications of each supplier based on the effectiveness of its quality control system. For key raw materials which are most likely to have material impact on the quality of our products, we conduct onsite inspections of the quality and food safety control system implemented at the supplier's production facilities. We require each supplier to provide quality guarantee undertakings in favor of the Company.

- *Certifications Inspection and Quality Testing*. The supplier must provide the required quality certifications for each batch of raw materials delivered. We require the raw materials delivered by our suppliers to comply with our quality standards and specifications. Upon delivery of each batch of raw materials, we inspect the raw materials with respect to packaging, labeling and other features such as odor, freshness and temperature. We also conduct laboratory sample testing on the chemical components of the raw materials.

- *Suppliers Management*. We continuously monitor the quality of raw materials provided by each supplier. In the event of sub-standard supplies, we may temporarily or permanently suspend procurement from the vendor or supplier.

Quality Control over Our Hog Production in China

Our hog production operations in China are subject to a series of strict quality control measures, primarily including:

- *Environment Conducive for Epidemic Prevention*. Each of our seven hog farms in China is located in an isolated rural area, which is conducive for preventing potential epidemic outbreaks.

- *Effective Control over Feedstuff*. All of the feedstuffs used in our hog farms in China are produced by our self-owned feedstuff production plant in Luohe, Henan Province. This enables us to control the quality and ingredients of the feedstuffs consumed by the hogs.

- *Group Pen Housing*. The hogs are raised in group pens from birth to finishing, giving each hog more space than in gestation stalls.

- *Targeted Disease Prevention and Vaccination*. We have adopted a comprehensive set of disease prevention and vaccination measures, reinforcing any particular prevention measures against a specific disease.

- *Swift Epidemic Control System*. Our epidemic control system focuses on taking swift reaction measures in response to any potential risk of epidemic outbreak. For example, sick hogs are immediately vaccinated, isolated or slaughtered, depending on the nature of the disease. In case of any indication of a potential outbreak of an epidemic, the relevant hog farm will be immediately quarantined.

During the Track Record Period, there were no material outbreaks of disease at any of our hog farms in China.

Quality Control over Our Production of Fresh Pork and Packaged Meat Products in China

During our production of fresh pork and packaged meat products in China, we follow standardized production procedures and comply with our strict internal quality standards.

Given the highly fragmented hog production industry in China, where small-scale and independent farm breeding is still the most common production model, we implement strict quality control measures in our hog processing operations. After the hogs have been slaughtered, we test every carcass for disease that would cause it to be unfit for human consumption.

In March 2011, there were certain media reports that some hogs raised on feed materials containing clenbuterol hydrochloride, generally known as a lean meat powder in China, were delivered to one of our processing facilities in Henan Province. Clenbuterol hydrochloride is an adrenal nervous stimulant, and is prohibited under PRC laws from being used as an additive to feed hogs. We closed the relevant plant for more than two months following such media reports. After extensive testing, no trace of clenbuterol hydrochloride was found in our fresh pork or packaged meat products. Nevertheless, our operating results in 2011 were negatively impacted. For further details, see the section headed "— Quality Control in Product Returns" and "Risk Factors — Risks Relating to Our Business — Any perceived or real health risks related to our raw materials, our products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance".

We enhanced our control standards and procedures for our hog processing operations in China following such media reports. The applicable PRC laws only require sample testing with respect to lean meat powder, and we had been strictly following the testing procedures and requirements of relevant laws and regulations. Following the media reports, we started to test every hog slaughtered in our hog processing operations in China in March 2011 to ensure that no pork with any residue of lean meat powder is used for further processing. According to Frost & Sullivan, we were the first large-scale company in China to conduct similar testing for every hog processed. Complementing our strict quality control measures with respect to the live hogs we purchase, such as inspecting government quarantine certifications and requesting the suppliers to provide guarantees, our control standards and procedures for our hog processing operations in China include:

- *Multiple Interim Testing.* We conduct multiple testing at key stages in our hog processing operations to prevent contamination.

- *Environmentally Friendly Disposal of Contaminated Hogs.* Upon identification of any residue of lean meat powder, disease or other condition rendering the carcass or processed products unfit for human consumption, we immediately implement operational quarantines to prevent any cross-contamination and arrange for the disposal of the carcass or processed products in an environmentally friendly manner.

- *Pre-sale Inspection*. Before our fresh pork products can be sold to our customers, we conduct sample inspection and testing to ensure the quality of the products that will be delivered to the customers.

In addition, all of the pork we import from overseas, including from the U.S., is subject to tests conducted by PRC authorities, which prohibits the importation of any pork containing lean meat powder into China.

With respect to our production of packaged meat products in China, our quality control standards and procedures primarily include:

- *Standardized Operating Procedures*. Our technology research and development department formulates standardized production and operating procedures, which help us to ensure consistent quality of our packaged meat products.

- *Workplace Management*. We have implemented a systematic workplace management system based on a comprehensive set of principles emphasizing tidiness, hygiene and safety. A clean and organized workplace is essential to the effective implementation of our quality control system.

- *Key Quality Points*. We select and closely monitor key points in the production process, such as ingredient mixing and heating, which have the potential to materially impact the quality of our final products. This facilitates our timely identification of and prompt response to any quality problems.

- *Advanced Quality Inspection Equipment*. Our quality control personnel are equipped with advanced quality inspection equipment, such as thermometer sensors and metal detectors, which enable us to monitor our production processes on a real time basis.

- *Tracing and Record Keeping*. We record and trace each batch of our packaged meat products dispatched to our customers, and each batch of raw materials, ancillary ingredients and packaging materials used to produce our packaged meat products.

- *Comprehensive Supervision*. Using a video monitoring system across all stages of our operation, our quality inspection personnel can effectively supervise our whole production process.

- *Pre-sale Inspections*. Before our packaged meat products can be sold to our customers, we conduct sample inspections and testing to ensure the quality of our products.

Quality Control over Our Storage and Logistics in China

We have adopted the following quality control measures with respect to storage and transportation of our products:

- *Control over Storage Conditions*. We set forth tailored requirements for storage conditions depending on characteristics of the products or raw materials involved. For storage of frozen food ingredients, we require automatic temperature controls in the storage rooms. We also impose strict sanitation and stacking rules to prevent contamination and cross-contamination.

- *Control over Warehousing Operating Procedures*. We have implemented detailed warehousing operating procedures such as timely record keeping, appropriate labelling and periodic stock taking. Based on timely tracking records of inventory intake and dispatch, we can closely monitor any fluctuation in our inventory level.

- *Control over Transportation*. To ensure timely delivery, quality and safety of our products during transportation, we use our self-owned logistics network to distribute our products in China. We require that each transportation vehicle is inspected before loading with respect to sanitation and temperature, minimizing the risk of contamination. Each of our transportation vehicles is equipped with GPS to facilitate real-time monitoring of the transportation process. For products requiring stable low temperatures during transportation, such as our fresh pork products, each transportation vehicle is also equipped with a thermometer recording any fluctuations in temperature. Our quality control personnel conduct sample inspections of various aspects of the transportation environment to ensure compliance.

Quality Control over our Sales and Distribution Network in China

We have primarily adopted the following quality control measures with respect to our sales and distribution network:

- *Quality Control over Distributors*. We require our distributors to adopt sufficient measures and install necessary equipment to maintain the quality of our products that they sell. For example, we require our fresh pork distributors to be equipped with a specified number of refrigerated warehouses and vehicles to maintain the food safety and freshness of the fresh pork.

- *Product Return and Recall*. We have established systematic product return policies with respect to expired or defective products purchased by our distributors. We believe that our product return policies help us to ensure the freshness, quality and safety of the products sold at the various points of sales in our sales and distribution network. For example, a distributor can return our packaged meat products that are not successfully resold before the expiration dates, in exchange for discounts provided by us for its next order. Please see the

section headed "— Quality Control in Product Returns" and "— Sales and Distribution Network — Product Returns and Warranty". We also have systematic product recall policies and procedures, enabling us to respond swiftly to any discovery of significant amounts of defective products being sold.

- *Quality Control over Points of Sales*. We conduct periodic inspections of the quality of our products sold at various points of sales. This helps us to monitor the quality of our products at the final stage of the sales and distribution process, before being sold to consumers.

Quality Control in Product Returns

Our customers are generally not allowed to return any fresh pork products after they have accepted delivery. With respect to our packaged meat products in China, returns are generally allowed if the products are found to be defective or are not successfully resold by the relevant expiration dates. All returned products are destructed in an environmentally friendly manner to ensure the quality of our products sold through our sales and distribution network. Please see the section headed "— Sales and Distribution Network — Product Returns and Warranty."

In March 2011, there were certain media reports that hogs raised on feed materials containing clenbuterol hydrochloride, generally known as a lean meat powder in China, were delivered to one of our processing facilities in Henan Province. We closed the relevant plant for more than two months following such media reports. After extensive testing, no trace of clenbuterol hydrochloride was found in our fresh pork or packaged meat products. Nevertheless, our operating results in 2011 were negatively impacted. Our sales volume of fresh pork in China decreased from approximately 1.0 million metric tons in 2010 to approximately 0.7 million metric tons in 2011, and our sales volume of packaged meat products in China decreased from approximately 1.7 million metric tons in 2010 to approximately 1.4 million metric tons in 2011. Although we were not under any statutory or contractual obligation to accept any product returns or make any product recalls, we decided to offer to our customers the option of returning our products. We also offered additional discounts to our customers for their next orders if they chose not to return the relevant products. We destroyed all products taken back from our customers in an environmentally friendly manner. In 2011, our costs incurred in relation to product returns and additional discounts offered to customers amounted to approximately US$78.3 million, which were netted, together with other items, against the sales of goods to derive our revenue. Please see the section headed "Financial Information — General — Critical Accounting Policies and Estimates — Revenue Recognition."

We believe that the measures we adopted in response to the media reports in 2011 demonstrated our social responsibility and long-term commitment to maintaining stable relationships with our distributors. It also helped us to recover from the negative impact of the media reports. Our sales volume of fresh pork in China increased by 28.6% from 0.7 million metric tons in 2011 to 0.9 million metric tons in 2012, and our sales volume of packaged meat products in China increased by 14.3% from 1.4 million metric tons in 2011 to 1.6 million metric tons in 2012. For more information, please see the section headed "Risk Factors — Risks Relating to Our Business — We may be materially and adversely affected by negative publicity."

Quality Control and Food Safety in Our U.S. and International Operations

Quality Control Management in our U.S. and International Operations

The quality control management systems of our U.S. and international operations apply to facility, equipment and process design, operating and sanitation procedures, employee training and auditing of our facilities. Our efforts are focused on anticipating points in the production process where challenges might exist and then developing programs to solve potential problems.

Our ongoing, internal auditing program are aimed at ensuring that our products in our U.S. and international operations are of the highest quality and safety and that they meet relevant internal and government standards. Smithfield, under which our U.S. and international operations are operated, developed first-generation, comprehensive auditing protocols to improve its ability to effectively control food safety hazards. Since then, Smithfield has updated and enhanced those protocols to satisfy changing customer and consumer demands and ensure continuous improvement. We are constantly assessing the programs to make sure they are as robust as possible and that they incorporate any new regulatory findings and/or best practices in our industry. Smithfield was the first in the industry to achieve ISO 14001:2004 certification for our hog production and processing facilities. ISO guidelines require a long-term management plan integrating regulator third-party audits, goal setting, corrective action, documentation and executive review.

Our food safety systems for our U.S. and international operations are based on the Hazard Analysis and Critical Control Points (HACCP) system, required for all meat and poultry companies producing products in the U.S. HACCP is a comprehensive food safety control system designed to address all reasonably occurring physical, chemical and biological hazards and to keep potentially hazardous products from going to market. These systems are reviewed and validated at least annually as part of the Global Food Safety Initiative (GFSI) process.

In 2009, Smithfield's Food Safety Council required GFSI certification for all of its relevant facilities. This audit scheme, which certifies a plant's compliance with an internationally recognized set of food safety standards, makes food safety and quality assessments more consistent and efficient while ensuring compliance in foreign markets. GFSI provides a consistent framework for food safety, from the auditing of plants to verifications of employee training processes. All of our relevant facilities in our U.S. and international segments, 37 in total, are GFSI certified and subject to GFSI's annual third-party audits. Our goal now is to maintain the certification at each of these facilities. Many of our customers rely on the GFSI certifications rather than conduct their own audits of our facilities.

Each facility in our U.S. and international operations is subject to a variety of inspections and audits:

- Our hog production facilities in the U.S. are subject to Pork Quality Assurance program audits and site assessments.

- At our U.S. hog production facilities, the USDA conducts Process Verified Audits of our self-owned farms and those of our contract farmers.

- All of our relevant hog processing and meat packaging facilities—37 in total—are Global Food Safety Initiative ("GFSI") certified and subject to annual third-party audits.

- Government officials regularly inspect our facilities and products.

- Each of our facilities regularly conducts mock product recalls that are supervised by food safety professionals. In these mock exercises, facility staff must locate and collect 99.9 percent of affected food products within four hours.

- Plant personnel conduct self-audits throughout the year.

- Certain customers send their own food safety officials to perform audits at our plants.

Any non-conformance discovered by an audit is addressed swiftly at each facility. We conduct a follow-up audit after the initial audit to make certain that any problems have been sufficiently addressed. Currently, Smithfield's Food Safety Council randomly audits several facilities a year to validate the plants' ability to address non-conformance identified during GFSI audits.

Any pork or other meat products imported into China from our operations in the U.S. or international operations must comply with the statutory quality and quarantine standards set forth by PRC authorities. For example, pork containing ractopamine is banned in China. Therefore all pork imports into China require certifications from third parties that the pork is ractopamine free.

Food Safety Management in Our U.S. and International Operations

Getting safe food to our customers requires our employees to be familiar with best practices and capable of meeting our strict food safety requirements. To this end, all Smithfield employees undergo extensive training in food safety policies and procedures—tailored to each of Smithfield's companies—to keep our foods safe. Each worker is trained upon hiring and is retrained on a regular basis, depending on his or her job requirements. There are senior-level food safety managers at each of our independent operating companies in each of our U.S. and international operations, and all managers undergo specialized training in food safety issues. Across our operations, we have dozens of food safety and food science professionals (including a team of leading industry microbiologists, two of whom received a prestigious award from the American Meat Institute in 2012), who are responsible for ensuring food safety management and product quality.

In order to foster continuous improvement in food safety, the food safety teams constantly look for new ways to incorporate emerging food safety innovations into our products and processes. The teams also regularly present scientific papers at national conferences and attend educational seminars, professional meetings, and regulatory meetings. They use the latest techniques they've learned to train other employees.

To better share knowledge and foster continuous improvement in food safety, we have a senior-level, cross-functional Food Safety Council that represents the major subsidiaries of our U.S. and international operations. Members regularly assess the efficacy and reliability of our food safety practices and provide guidance and direction. Council members confer with each other on an ongoing basis, meeting at least twice each year to discuss current scientific and technical food safety developments. A representative of that council also sits on the Smithfield Foods Sustainability Council. Our Food Safety Council, which also advises on emerging food safety technologies and relevant government regulations, develops policies, standards and best practices that meet or exceed all regulatory requirements. These policies are individualized and maintained by each of our subsidiaries in our U.S. and international operations.

Our Food Safety Council and company Engineering Council representatives regularly work together to develop comprehensive engineering standards for the construction of new plants and the renovation of existing facilities. These standards facilitate strict adherence to personal hygiene, minimize direct human contact with food and enable precise tracking of products across our operations.

Our rigorous microbiological testing programs constitute a significant part of our ready-to-eat food safety programs. We conduct in-house research, for example, to test the accuracy of "sell-by" dates. We also perform so-called "challenge studies" in which pathogens are intentionally inoculated on test samples to help us determine how to better protect our products and increase their shelf life. All laboratories operate under stringent quality control programs with proficiency testing and accreditation by state and federal agencies where relevant.

We continually invest in our food quality control programs and processes. In early 2013, for example, Smithfield opened a new US$80 million state-of-the-art hot dog plant in Kinston, North Carolina. Proprietary "cook-in-the-package" technology eliminates post-cooking environmental exposure to prevent contamination. In addition to the food safety benefits, the technology provides environmental benefits by reducing food container waste.

In our U.S. and international operations, we have over 300 employees engaged in quality control with 55 professionals serving as quality control supervisory personnel as of December 29, 2013. Of those professionals, 46 hold college degrees and 12 hold advanced degrees. The average years of industry experience of our quality control supervisory teams in our U.S. and international operations is more than 15 years.

Quality Control over Raw Materials in Our U.S. and International Operations

We take core samples from every truck delivering corn and other grains to our feedmills and analyze it for water content and contaminants. We reject the entire truckload if the sample does not meet our requirements. Our nutritionists oversee the purchase of ingredients, the quality aspects of those ingredients, diet formulation and feed manufacturing. Our feed delivery trucks are sanitized after each farm delivery to ensure biosecurity.

For live animal suppliers, we conduct due diligence on the candidate suppliers and ongoing monitoring of the existing suppliers. As of December 29, 2013, 100% of live animals used in our business segments in the U.S. were supplied by PQA Plus certified suppliers. On-site assessments have been conducted on 98% of such suppliers' facilities. With respect to hogs supplied by contract farms, we have developed and implemented a systematic animal care management program to monitor and measure the well-being of hogs on contract farms. All contract hog farms must employ the methods and techniques of the management system and take steps to verify their compliance. Adherence to proper animal welfare management is a condition of our agreements with contract farms. We conduct regular onsite inspection on each contract farm.

Quality Control over Hog Production in Our U.S. and International Operations

As the world's largest producer of pork, Murphy-Brown LLC, our hog production subsidiary under Smithfield, had contracts with approximately 2,190 contract hog farm farmers in the United States as of December 29, 2013. Under the swine production contracts with the contract farmers, Murphy-Brown provides the animals, feed, transportation and veterinary services, while contract farmers are responsible for operating the equipment to meet all technical and animal care requirements of Murphy-Brown. In our U.S. operations, each of our self-owned and contract hog production farms are subject to random, third-party audits and site assessments under the Pork Quality Assurance Plus ("PQA Plus") program. PQA Plus is a producer-driven program that is used by producers to ensure that pork products are of the highest quality and safe and that animals raised for food are cared for in a way ensuring their well-being. PQA Plus is modeled after HACCP programs used in foodmanufacturing to ensure the safety of food products. It was designed to identify practices with the potential to result in food safety hazards and to minimize the potential risk through education and established on-farm practices. We are 100 percent PQA Plus-compliant at each of our self-owned and contract farms in the U.S. Members of our production management staff, many of whom are also PQA Plus-trained auditors, visit every farm at least once a month.

Our processing plants in the U.S., our hog production operations in the U.S., and many of our contract growers also participate in the USDA's Process Verified Program ("PVP"), which is modeled on ISO 9000 quality management and assurance standards and helps to ensure that standards are upheld and procedures followed. The PVP incorporates independent third-party audits to give assurance to customers that participating suppliers are providing consistent, high-quality products that meet the program's standards. As part of this program, companies must be PQA Plus certified at farms and be certified under transportation guidelines for drivers.

In our operations in Poland and Romania, animal care issues are regulated and overseen by local country veterinary law. Government veterinarians inspect our farms frequently. The local veterinary auditors inspect each farm regularly (and evaluate each fresh meat plant quarterly) under the supervision of local animal care and food safety authorities. Additional random inspections also take place throughout the year. These external audits verify compliance with national animal care laws and biosecurity measures to reduce the risk of diseases. In addition, specially trained internal auditors conduct our own twice-yearly internal audits of our farming operations to verify compliance with animal care procedures, biosecurity and traceability, employee training programs, and transportation systems. Nonconformance is addressed with swift corrective action, with support and technical assistance given to each facility to help with compliance.

Herd health is vitally important in hog production and our biosecurity policy is intended to protect our hogs from disease. Our biosecurity program is divided into two parts: (1) the animal production process at the individual farm and (2) the movement of vehicles, animals, personnel and equipment between farms.

We have procedures to prevent contaminants from being brought onto our farms, including a "shower-in" process before entering a sow farm. All employees and visitors must take a shower and change into sanitized clothing before entering the farm. A "shower-out" procedure is also required when leaving. Equipment and supplies delivered to sow farms must be disinfected prior to being allowed inside the farm complex. Additional biosecurity measures are taken on our genetic farms and at locations where semen collection for the artificial insemination process occurs.

There is currently an outbreak of Porcine Epidemic Diarrhea Virus ("PEDV") which is impacting certain U.S. swine herds. PEDV was first confirmed in the country in May 2013. PEDV causes diarrhea, vomiting and severe dehydration in hogs and is often fatal to suckling pigs. PEDV does not affect people and is not a food safety concern. Industry estimates of industry-wide losses from PEDV range from 4-7% of U.S. hog production. Our U.S. hogs have been affected across several regions in which we operate as PEDV continues to spread throughout the U.S. PEDV is currently affecting certain of our Midwestern and Eastern U.S. hog herds. We currently estimate that PEDV causes losses on average of 3.7 suckling pigs per infected sow. The loss of hogs in the U.S. from PEDV has resulted in increased hog prices, which have, up to the Latest Practicable Date, generally had a positive effect on our business and results of operations, although there can be no assurance that this will continue to be the case.

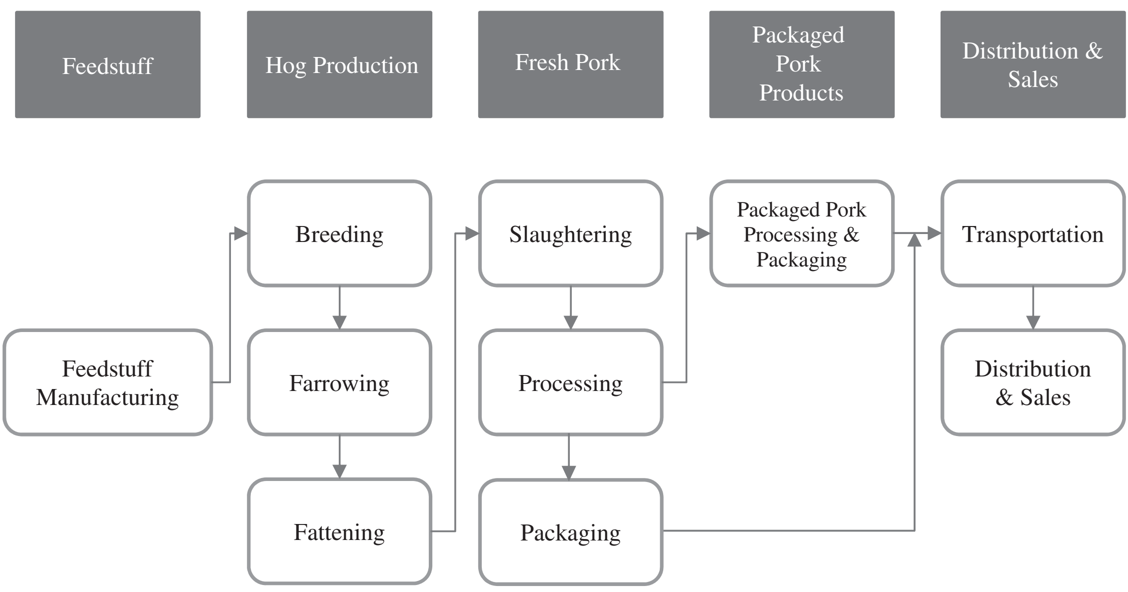
Currently, there are no effective vaccines against PEDV so our efforts at controlling the virus are focused on biosecurity. Once a farm in our U.S. hog production operations becomes infected and is confirmed positive, we quarantine that farm from other farms and segregate transportation to and from the site as well as limit the number of visitors to the farm. Further, visitors to infected farms are restricted from visiting any other production facility for a time period afterwards and any vehicles visiting infected sites are washed and disinfected after the visit in order to prevent the spread of the virus. We close sow herds to new replacement animals for a period of four months after a farm is confirmed to be infected and we expose the entire sow herd to PEDV infected materials in order to build immunity, which is passed along to suckling hogs after they are born. Extensive cleaning of the facilities and testing are carried out to be sure the virus is no longer present before replacement animals are brought back into the herd, which is the final step in the PEDV eradication process at a breeding facility.

Save as disclosed above, there were no material outbreaks of disease at any of our hog farms in the U.S. or internationally during the Track Record Period.

PRODUCTION

Our Production Process and Facilities

Our business model covers the entire pork value chain. The illustration below shows the various stages of the pork value chain.

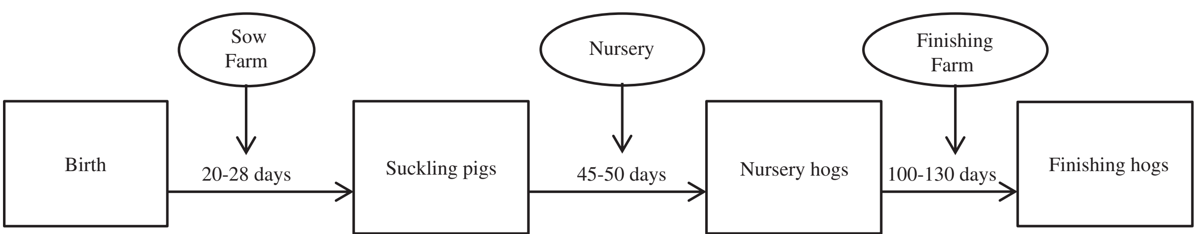


Production of Feedstuffs

Our feedstuffs production process begins with our purchase of feed ingredients, such as corn and soybeans. Feed ingredients are tested and inspected upon delivery to our feed mills. Our feed mills mix the feedstuffs into different formulations to meet the requirements of hogs at various stages of their development. The formulations are developed and studied by our in-house nutritionists. Once mixed, feed from our feed mills is transported to our farms or to the farms of our contract farmers to feed hogs.

Hog Production

The diagram below illustrates our hog production process.



In the Smithfield 2013 Fiscal Year, all of the approximately 16.0 million hogs produced by Smithfield in the U.S. were from the Smithfield Premium Genetics breeding stock. Our Smithfield Premium Genetics enable us to produce lean hogs with increased meat yields in the U.S.

The hog production process begins with the birth of suckling pigs. Approximately 20-28 days after birth, suckling pigs are transported from sow farms to our nursery facilities or, in the case of our U.S. operations, to the nursery facilities of our contract farms. We mainly rely on contract farmers for the operation of nursery farms and finishing farms in our hog production operations in the U.S. In contract relationships, we provide the animals, feed, transportation, veterinary services and record keeping for the hogs and our contract farmers provide the modern facilities, day-to-day management and general upkeep of the farms. In China, we own all the sow farms, nursery facilities and finishing farms used in our hog production.

During the course of their stay at the nursery farms, suckling pigs receive different feed formulations according to their progressive growth stages. The prescribed temperature and other environmental conditions of the nursery facilities are closely monitored and controlled. Suckling pigs stay at the nursery for approximately 45-50 days, where they grow from approximately 5 kg to 23 kg. At the completion of their stay at the nursery, the nursery hogs are transported from the nursery to finishing farms.

Nursery hogs grow from approximately 23 kg at delivery to the finishing farms to approximately 109-125 kg upon completion of their stay at finishing farms, which lasts approximately 100-130 days. The hogs are fed a range of different feed formulations as they progress through the finishing farms and grow to finishing hogs.

Breeding stock is selected from specialized farms according to established criteria. Once selected as breeding sows, sows are separated into individual pens where they are artificially inseminated. Once sows are confirmed pregnant, they are moved to gestation barns. After the initial gestation period, the sows are released into group pens. For delivery of suckling pigs, sows are placed in farrowing stalls where they are kept until their suckling pigs are weaned. The gestation period for sows is typically around 114 days.

Ractopamine is a feed additive which promotes leanness in animals raised for meat. Ractopamine is allowed to be used in hog production in the U.S. However, its use is banned in certain other countries, including China. Pork containing ractopamine is not allowed to be imported into China, and relevant government certification that the pork is ractopamine-free is required for any imported pork. In order to meet the import requirements of China and other countries, we have commenced transitioning a portion of our hog production in the U.S. away from the use of ractopamine. As of December 31, 2013, we had daily U.S. ractopamine-free hog production of approximately 36,000 hogs and daily ractopamine-free processing capacity of 43,100 hogs. We are continuing to expand our ractopamine-free hog production and processing capacities. For our U.S. operations, we expect to have ractopamine-free hog production and ractopamine-free processing capacity of 56,000 and 63,800 hogs per day, respectively, by July 2014.

Slaughtering

Hogs are transported to slaughtering facilities 1-2 days in advance of processing where they are identified and inspected. The hogs are rendered unconscious prior to being slaughtered. Slaughtered hogs go through a thorough exterior cleaning process. Subsequently, internal organs are removed, body cavities are cleaned and the carcass goes through quality control inspections, including, in our

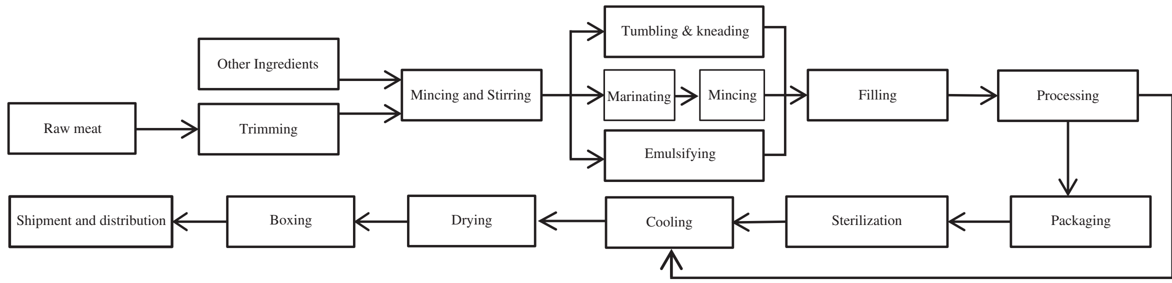
U.S. operations, inspections conducted by the USDA, and in our Chinese operations, inspections conducted by an independent quality inspection organization accredited by the relevant PRC authorities. Carcasses are placed in coolers to chill for 12 to 24 hours and then further processed (cut and packaged). Fresh pork is delivered to customers and pork used in our packaged meat production is delivered to our packaged meat production facilities.

The diagram below illustrates our hog slaughtering process.

Packaged Meat Production

The production process for some of our key packaged meat products begins with processing of raw meat, including, pork, chicken and beef. The raw meat first undergoes a trimming process to remove any connective tissues, blood clots and foreign materials. The trimmed meat is then minced by proper grinding plate and well mixed with other ancillary ingredients. Depending on the different processing procedures involved, the mixture of raw meat and other ingredients will be tumbled, cured in a chiller, or emulsified to facilitate absorption. We then stuff the well-mixed meat paste into the assigned packaging material to mold the paste into proper finished shape, and package the products after cooking. We employ a thermal processing procedure to decontaminate the surface micro-organisms of the packaged products which then are chilled, dried, boxed and sent to shipment and distribution.

The diagram below illustrates the production process for some of our key packaged meat products.



Our Production Facilities

We endeavor to equip our production facilities with state-of-the-art equipment, which we believe is essential to ensure the quality of our food products and efficiency of our operations. For example, nearly all of our slaughtering operations in China use production lines imported from countries such as Germany, Netherland, South Korea and Denmark.

Our China Production Facilities

Our primary production facilities are located in strategic locations in 15 provinces across China, primarily including:

- *Packaged Meat Production Facilities*. Our packaged meat products are produced in 25 production facilities across China. Our overall production capacity for packaged meat products was approximately 2.2 million metric tons per annum as of the Latest Practicable Date. The key equipment in our packaged meat product processing operations was imported from countries including Germany and the Netherlands.

- *Slaughtering Facilities*. Our slaughtering operations in China consist of 17 facilities (including a facility under construction and development and expected to commence commercial operation by the end of April 2014) that are strategically located across China, such as Hebei, Guangdong and Shandong Provinces. In aggregate, the processing capacity of our slaughtering facilities in China was nearly 20 million heads as of the Latest Practicable Date. The key equipment in our hog processing operations has been imported from the Netherlands, Denmark, South Korea and Germany. All of our slaughtering facilities adopt HACCP and ISO9001 quality management systems for quality control and production management.

- *Hog Production Facilities*. We have seven hog production facilities in China, all of which are located in Henan Province. The designed annual hog production level at our hog production facilities in China amounted to approximately 300,000 hogs as of the Latest Practicable Date. We implement strict hygiene and quarantine measures at our hog production facilities. Since the establishments of our hog production facilities in China, there has not been any incident of widespread contagious disease leading to material adverse effect on our business operations.

We intend to expand the production capacity across all of our main business segments in China. For more details, please see the section headed "— Our Production Expansion Plans."

The table below sets forth the production capacity per annum, production volume and utilization rate for our production facilities in China for packaged meat products, slaughtering operations and hog production in the periods indicated.

	Year ended December 31,								
	2011			2012			2013		
	Annual Production Capacity(1)	Production Volume	Utilization Rate(4)	Annual Production Capacity(1)	Production Volume	Utilization Rate(4)	Annual Production Capacity(1)	Production Volume	Utilization Rate(4)
Packaged Meat Products(2) (million metric tons, except percentages)	2.0	1.5	75.3%	2.1	1.6	77.3%	2.1	1.8	84.6%
Slaughtering Operation(3) (million head, except percentages)	17.8	10.0	66.6%	17.8	11.4	64.3%	19.6	13.3	71.9%
Hog production(5) (thousand head)	300.0	303.1	N/A	300.0	305.5(6)	N/A	300.0	317.7(6)	N/A

Notes:

(1) Production capacity relates to the designed annual production capacity of our production facilities in operation at the end of the period, which may not be a constant variable throughout the period.

(2) Our annual production capacity for packaged meat products in China is calculated on a 310-day basis. Each day has three eight-hour working shifts.

(3) Our annual production capacity for slaughtering operation is calculated on a 350-day basis. Each day has one eight-hour working shift. Given the (i) perishability and (ii) transportation costs of the live hogs used in our hog slaughtering operation, a single slaughtering facility may only cover the surrounding area within a limited radius, which we believe is in line with the industry norm in the PRC. Considering the highly fragmented hog production industry in the PRC where sub-scale and independent farm breeding is still the prevalent production model, we intend to continue to develop new slaughtering facilities in strategic locations. For more details about our expansion plan in the PRC, please see the section headed "— Our Production Expansion Plans".

(4) Utilization rate is calculated as the production volume as a percentage of the production capacity weighted by month over the relevant period.

(5) Annual production capacity for hog production in China has been calculated as the designed annual hog production capacity of the given hog production facilities in operation at the end of the period.

(6) Hog production volume in 2012 was larger than the annual production capacity, primarily reflecting the reduction in the stock of hogs in 2012 that were accumulated from the previous year. The hog production volume in 2013 was also larger than the annual production capacity, primarily reflecting (i) the above-the-trend hog survival rate in 2013, and (ii) the shorter stay of breeding hogs at the finishing farms, which are primarily sold to third parties.

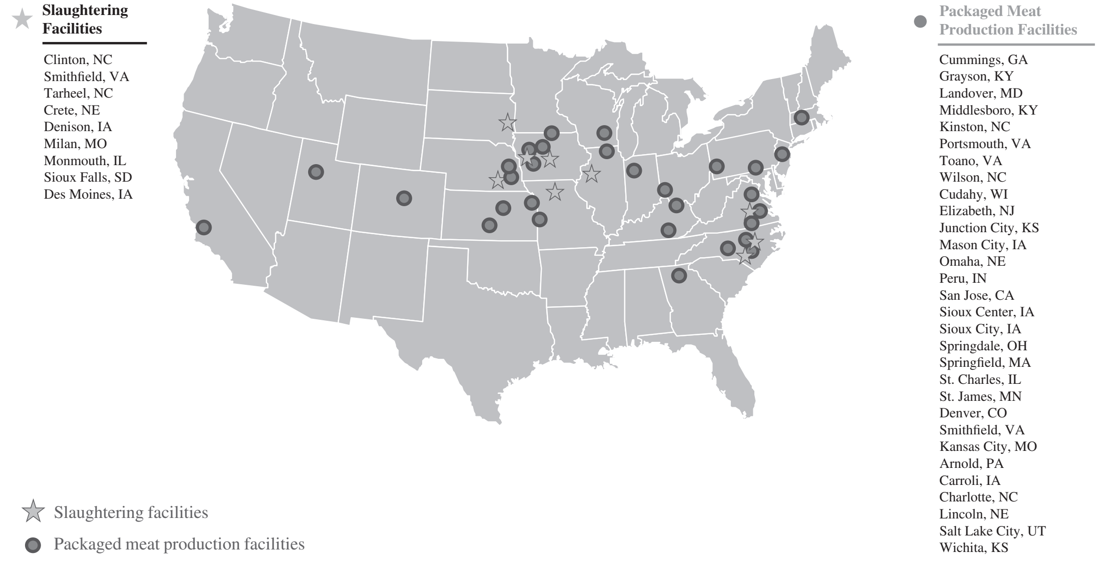
The illustration below shows the geographic distribution of our slaughtering facilities and packaged meat production facilities in China as of the Latest Practicable Date.

Note:

(1) Facilities at the same location are counted as separate facilities if they are managed as separate units.

Our U.S. Production Facilities

The illustration below shows the geographic distribution of our slaughtering facilities and packaged meat production facilities in the U.S. as of December 29, 2013.



The table below sets forth the production capacity, production volume and utilization rate for Smithfield's business segments in the U.S. for the periods indicated.

	Smithfield 2011 Fiscal Year			Smithfield 2012 Fiscal Year			Smithfield 2013 Fiscal Year			Eight months ended December 29, 2013		
	Capacity	Production volume/ number of hogs	Utilization Rate	Capacity	Production volume/ number of hogs	Utilization Rate	Capacity	Production volume/ number of hogs	Utilization Rate	Capacity	Production volume/ number of hogs	Utilization Rate
Packaged Meat Products[(1)] (million metric tons, except percentages) . . .	1.5	1.2	80.0%	1.5	1.3	86.7%	1.5	1.3	86.7%	1.0	0.8	83.6%
Fresh Pork Products[(1)] (million head, except percentages)	28.5	27.4	96.1%	28.5	27.8	97.5%	29.4	28.5	96.9%	19.6	19.3	97.2%

Note:

(1) Capacity has been calculated based on the assumption that there are five days a week and 52 weeks a year.

Hog Production Facilities

Our U.S. hog production segment owns and leases numerous hog production and grain storage facilities, as well as feed mills, with its main facilities in North Carolina, Utah, Missouri and Virginia, and additional facilities in Oklahoma, Colorado, Texas, Iowa, Illinois, South Carolina and Pennsylvania.

As the world's largest producer of hogs, Murphy-Brown LLC, our hog production subsidiary under Smithfield, raises pigs on approximately 500 farms that it owns in the United States. Murphy-Brown also had contracts with approximately 2,190 contract hog farm farmers in the United States as of December 29, 2013. In addition, our U.S. meat processing operations purchase hogs from numerous independent hog producers in varying numbers depending on market conditions.

Our U.S. hog production facilities have been designed to meet all applicable zoning and other government regulations. These regulations require, among other things, maintenance of separation distances between farms and nearby residences, schools, churches, public use areas, businesses, rivers, streams and wells and adherence to required construction standards.

In January 2007, Smithfield announced a voluntary, ten-year program to phase out individual gestation stalls at its company-owned sow farms and replace the gestation stalls with group pens. We estimate the total cost to us of the transition to group pens in the U.S. to be approximately US$360.0 million, including associated maintenance and repairs, and we had completed conversions to group pens for over 54% of our sows on company owned farms in the U.S. as of December 31, 2013. In addition, we have offered incentives for our contract sow growers to transition their facilities to group housing for pregnant sows, including contract extensions upon completion of conversion. We have requested all of our contract growers to complete conversion to group housing by 2022. This program represents a significant financial commitment and reflects our desire to be more animal friendly, as well as to address the concerns and needs of our customers. We will continue the conversion as planned with the objective of completing conversions for all sows on company-owned farms in the U.S. by the end of 2017. We believe this transition will help us meet demand for pork produced according to the highest industry standards.

Our International Production Facilities

Our international slaughtering operations consist of four facilities strategically located in Poland and Romania. In aggregate, the processing capacity of our international hog processing facilities was approximately 4.2 million head per annum as of December 29, 2013. We also have three poultry (primarily chicken, geese and turkey) processing facilities in our international operations. Our international packaged meat operations consist of eight facilities strategically located in eight states in Poland. Our overall production capacity for packaged meat products was approximately 221,951.6 metric tons per annum as of December 29, 2013.

The table below sets forth the production capacity, production volume and utilization rate for each of Smithfield's business segments in its international operations in the periods indicated.

	Smithfield 2011 Fiscal Year			Smithfield 2012 Fiscal Year			Smithfield 2013 Fiscal Year			Eight months ended December 29, 2013		
	Capacity	Volume/ number of hogs	Utilization Rate	Capacity	Volume/ number of hogs	Utilization Rate	Capacity	Volume/ number of hogs	Utilization Rate	Capacity	Volume/ number of hogs	Utilization Rate
Packaged Meats Products[1] (metric tons, except percentages)	221,951.8	204,000.6	91.9%	221,951.8	205,809.7	92.7%	221,951.8	205,348.2	92.5%	147,967.8	134,210.0	90.7%
Fresh Pork Products[1] (million head, except percentages)	4.2	3.0	71.4%	4.2	2.9	69.0%	4.2	3.5	83.3%	2.8	2.4	85.7%

(1) The capacity has been calculated based on the assumption that there are five days a week and 52 weeks a year.

Our Production Expansion Plans

We believe that pork consumption in China has significant growth potential because of macroeconomic factors, including rapid GDP growth, increasing urbanization and rising per capita disposable income. Given the importance of pork in the diets of Chinese consumers and increasing consumer concern over food safety issues in China, we believe that we are well positioned to benefit from the growth potential of the Chinese pork industry by continuing to expand our production capacity for packaged meat and fresh pork products. Our expansion projects are mainly focused on strategic locations in northeastern, central and eastern China. We believe that our expansion projects will help us expand our market share in China.

The table below sets forth the details of our planned primary expansion for our packaged meat production facilities, slaughtering facilities and hog production farms in China that we are currently carrying out or expect to carry out by the end of 2014. We expect to finance all these expansion projects with our internal funds. Unless otherwise specified in the footnotes to the table below, we had not commenced implementing these expansion projects as of the Latest Practicable Date.

Location	Production Lines	Total Capital Expenditure	Design Capacity	Expected Completion Year
		(US$'000)		
Packaged Meat Production Facilities				
Tangshan, Hebei Province	Packaged meat products	13,788.5	31,000 metric tons/year	2014
Huaian, Jiangsu Province[1]	Packaged meat products	24,309.1	46,500 metric tons/year	2014
Zhengzhou, Henan Province	Packaged meat products	65,484.7	62,000 metric tons/year	2016
Kunming, Yunnan Province	Packaged meat products	30,286.7	46,500 metric tons/year	2014
Shanghai	Packaged meat products	134,871.1	93,000 metric tons/year	2014

Location	Production Lines	Total Capital Expenditure	Design Capacity	Expected Completion Year
		(US$'000)		
Xianyang, Shaanxi Province.	Packaged meat products	69,804.4	93,000 metric tons/year	2016
Shenyang, Liaoning Province[2].	Packaged meat products	95,936.3	150,000 metric tons/year	2016
Slaughtering Facilities				
Nanning, Guangxi Province[3].	Slaughtering	39,235.9	1,120,000 hogs/year	2014
Xianyang, Shaanxi Province	Slaughtering	57,890.7	1,820,000 hogs/year	2016
Shenyang, Liaoning Province	Slaughtering	79,562.6	1,820,000 hogs/year	2016
Hog Production Farms				
Jiyuan, Henan Province	Hog production	9,822.7	50,000 hogs/year	2015

Notes:

(1) As of December 31, 2013, we have paid out US$1.52 million.

(2) As of December 31, 2013, we have paid out US$0.68 million.

(3) As of December 31, 2013, we have paid out US$20.23 million. We currently expect to commence commercial operation at this project by the end of April 2014.

Other than the projects listed in the above, we are also constructing, expanding or upgrading, or expect to commence doing such by the end of 2014, various production facilities in China for our ancillary businesses, such as poultry production, flavoring ingredients, feedstuff, packaging materials and logistics services. Our estimated total capital expenditure for these projects amounts to over US$426 million. We expect to finance all of these expansion projects with our internal funds. As of December 31, 2013, we had paid out over US$12 million in these projects. We do not have any material expansion plans for our U.S. or international operations in 2014.

Our production expansion plans have been determined on the basis of, among other things, the (i) estimated market supply and demand for relevant products, (ii) prevailing and anticipated prices for relevant products, (iii) utilization of existing production facilities, (iv) competitive strategies for the target market, (v) estimated cost of development and (vi) availability and cost of sufficient capital resources. There is no guarantee that any of the expansion projects will proceed as planned. Our Directors may determine in the future that postponing a project is in the best interest of the Group after taking account of the prevailing market conditions, our financial resources and other relevant factors. We may also invest in additional expansion projects as we continue to expand in China.

SALES AND DISTRIBUTION NETWORK

Our sales and distribution network has global coverage. We sell to customers nationwide in the countries in which we operate and also export products to numerous countries in Europe, North America, South America, Asia, Africa and Australia.

Our Sales and Distribution Network in China

Our China headquarters in Luohe, Henan Province is responsible for the overall management of our sales and distribution network in China, with regional management teams supervising the day-to-day operations of sales branch offices in the relevant provinces. We have established separate sales and distribution networks for fresh pork products and packaged meat products targeting the optimum sales channels for the respective product types. As of December 31, 2013, we had 161 sales branch offices across 27 provinces of China, staffed with approximately 1,300 sales personnel in total, overseeing the sales and distribution of our fresh pork products. We had 163 sales branch offices across 31 provinces of China, staffed with approximately 1,900 sales personnel in total, overseeing the sales and distribution of our packaged meat products. We also have a high-density network of distributors and a variety of points of sales with extensive geographic coverage to efficiently distribute our products. As of December 31, 2013, we had more than 2,100 distributors and 638,000 points of sales for our packaged meat products, and more than 2,800 distributors and 24,300 points of sales for our fresh pork products in China.

Based on our industry knowledge, we believe that the use of distributors in our sales and distribution network in China is generally in line with the industry practice. We endeavor to leverage the established access of our distributors to local markets to expand the breadth and depth of our market presence. Nearly all of our packaged meat products are marketed through distributors in China. We sell our fresh pork products through distributors as well as directly to certain points of sales, such as hypermarkets, supermarkets and food service companies, that are not covered by the existing network of our distributors.

We believe that our sales and distribution network in China provides us with the following competitive advantages:

- *Extensive Geographic Coverage*. Our sales and distribution network covers the entire country. As of the Latest Practicable Date, our points of sales for packaged meat products covered every province in China, offering the infrastructure to market and sell our products to consumers nationwide.

- *Deep Market Penetration*. Our sales and distribution network covers all relevant channels ranging from hypermarkets in first-tier Chinese cities, such as Walmart and Carrefour, to mom-and-pop stores in rural regions. The deep penetration increases consumer access to our products.

- *Diversified Distribution Channels*. Our sales and distribution network consists of a diversified range of points of sales, such as convenience stores, schools, hotels, highway rest stations, wet markets, food service companies, hypermarkets and supermarkets. This ensures that consumers can easily find our products wherever they are.

- *Stable Distribution Partners*. We have maintained long-term and stable relationships with our distributors. For example, as of December 31, 2013, we have maintained business relationships for more than five years with over 50% of all distributors of our packaged meat products in China. Stable relationships facilitate transactions with our distributors as well as our marketing initiatives.

- *Dedicated Distribution Capacity*. Under our distribution agreements, our distributors agree not to distribute any third-party products that are similar to or could compete with our products. This ensures our exclusive access to their distribution capabilities.

Relationship with Our Distributors

Our sales personnel market and promote our products to local distributors who are selected based on their business qualifications and marketing capabilities, such as sales network coverage, quality, number of personnel and their logistics and transport capabilities. If a distributor for our packaged meat products chooses to use a sub-distributor, the sub-distributor has to be reviewed and agreed to by us. Our distributors for our fresh pork products do not use any sub-distributors.

The following table sets forth the number of our distributors in China as of the dates indicated.

	December 31,		
	2011	2012	2013
Distributors for Packaged Meat Products in China[1]	1,957	2,027	2,150
Distributors for Fresh Pork Products in China	2,098	2,409	2,889
Total	4,055	4,436	5,039

Note:

(1) Does not include any sub-distributors.

We have a seller-buyer relationship with our distributors. We retain no ownership control over the products sold to our distributors, and all significant risks and rewards associated with the products are transferred to the distributors upon delivery to and acceptance by the distributors. The distributors re-sell our products to various points of sales, where our products are sold to the ultimate consumers.

Our sales to distributors are generally made on a cash-before-delivery basis. Our distributors authorize direct transfer of payments to us for products ordered by the distributors from the bank accounts of the distributors. The distributors generally place orders with our local sales branch offices. The orders are then processed into our computerized management system, and reviewed jointly by our sales department and relevant production department at our headquarters. Upon completion of our review, payments are transferred to us from the bank accounts of the distributors. Our headquarters allocate production assignments to our relevant production facilities, which immediately commence production of the ordered goods. The finished products will then be delivered to the distributors through our logistics network. The distributors conduct inspections of the delivered products, and can notify us of quality defects after delivery. Once the products are accepted, the distributors generally are only allowed to return products in certain very limited circumstances. For more details about our product return policy, please see the section headed "—Product Returns and Warranty".

We endeavor to monitor and control the stock levels of our products at our distributors primarily by (i) requiring our distributors to maintain systematic records of the products bought and resold, (ii)

conducting periodic inspections of our distributors' inventory, (iii) requiring our distributors to periodically report to us regarding sales and remaining stock levels, and (iv) imposing penalties on distributors who stock excessive inventory of our products. We believe that such measures help us to ensure the freshness, quality and safety of the products sold through our sales and distribution network.

Our sales personnel generally conduct on-going evaluations of each distributor's performance. We evaluate and grade (i) the sales made through each distributor, and (ii) the degree of its compliance with the provisions in our distribution agreements. We may terminate our distribution agreements in cases of material breach of the agreements by the distributors, such as the violation of exclusivity provision by distributing products competing with our products. We may also choose not to renew a distribution agreement upon expiration due to the unsatisfactory performance by the distributor or the identification of an alternative distributor offering more attractive distribution prospects. The following tables set forth the changes in the number of our distributors for packaged meat products and fresh pork products in China for the periods indicated.

Distributors for packaged meat products in China[1]	**Year ended December 31,**		
	2011	**2012**	**2013**
As of the beginning of the period	1,812	1,957	2,027
Additions of new distributors	312	286	363
Termination of existing distributors	167	216	240
Net increase (decrease) in distributors	145	70	123
As of the end of period	1,957	2,027	2,150

Note:

(1) Does not include any sub-distributors.

	Year ended December 31,		
Distributors for fresh pork products in China	**2011**	**2012**	**2013**
As of the beginning of the period	1,938	2,098	2,409
Additions of new distributors	218	370	687
Termination of existing distributors	58	59	207
Net increase (decrease) in distributors	160	311	480
As of the end of period	2,098	2,409	2,889

During the Track Record Period, the additions of new distributors primarily reflected (i) an increase in the number of distributors targeting selected categories of points of sales or selected regions that were the focus of our sales and marketing efforts, (ii) promotion of sub-distributors to distributors in recognition of good performance, and (iii) our expanding sales and market share in China. The terminations of existing distributors primarily reflected (i) subpar performance by the distributors, and (ii) a consolidation trend among distributors to remain competitive.

Key Terms of Distribution Agreements

We generally enter into annual distribution agreements with our distributors, which specify a variety of provisions including the area of distribution, distribution channels, pricing policies and sales performance targets. To streamline our management and evaluation of distributors, we endeavor to enter into generally standardized distribution agreement. The key terms of a standardized distribution agreement may include:

- *Minimum sales targets*. The distributor is incentivized to meet a minimum sales target of our fresh pork or packaged meat products during the term of the agreement. Sales performance is one of the factors that we consider in deciding whether to renew the distribution agreement.

- *Discounts*. The distributor is given pricing discounts at progressive rates as the purchases made by the distributor reaches a series of pre-set targets.

- *Resale price management*. The distributor may make reference to the suggested resell price guidelines provided by us when it resells our products to points of sales.

- *Designated distribution area*. The distributor is not allowed to resell our fresh pork or packaged meat products beyond its designated distribution area.

- *Delivery*. We are only responsible for delivering our products to the distributor's warehouse or other site designated by the distributor. The distributor is responsible for arranging the logistics and transportation to the various points of sales or sub-distributors, if applicable.

- *Access to Information*. The distributor is required to provide us information regarding its sales regularly or upon our request.

- *Exclusivity.* The distributor generally is granted exclusive distribution rights in the designated area. It shall not distribute any third-party products similar or competing with our products.

- *Compliance audit*. We have the rights to regularly evaluate the distributor's compliance with the provisions of the distribution agreement and may impose penalties in case of non-compliance.

If we agree to the use of a sub-distributor by a distributor of our packaged meat products, the approved sub-distributor must enter into a tripartite sub-distribution agreement with us and the distributor. The terms of the sub-distribution agreement are similar with those of our standardized distribution agreement, with necessary changes reflecting the fact that the sub-distributor may only purchase our products from the designated distributor.

We believe that our distribution agreements with distributors generally enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with necessary controls over the distribution network to ensure an orderly market for our products.

Points of Sales for Packaged Meat Products

As of the Latest Practicable Date, the points of sales for our packaged meat products in China covered every province in China. Our points of sales for our packaged meat products in China can be primarily grouped into five categories:

- *Hypermarkets & Supermarkets*. As of December 31, 2013, our packaged meat products were sold at more than 5,000 hypermarkets or supermarket outlets in China, including primarily Wal-Mart, Carrefour, RT-Mart and Tesco;

- *Small-to-medium-sized Retail Outlets*. As of December 31, 2013, our packaged meat products were sold at more than 445,000 small-to-medium-sized retail outlets across China, including convenience stores and grocery stores;

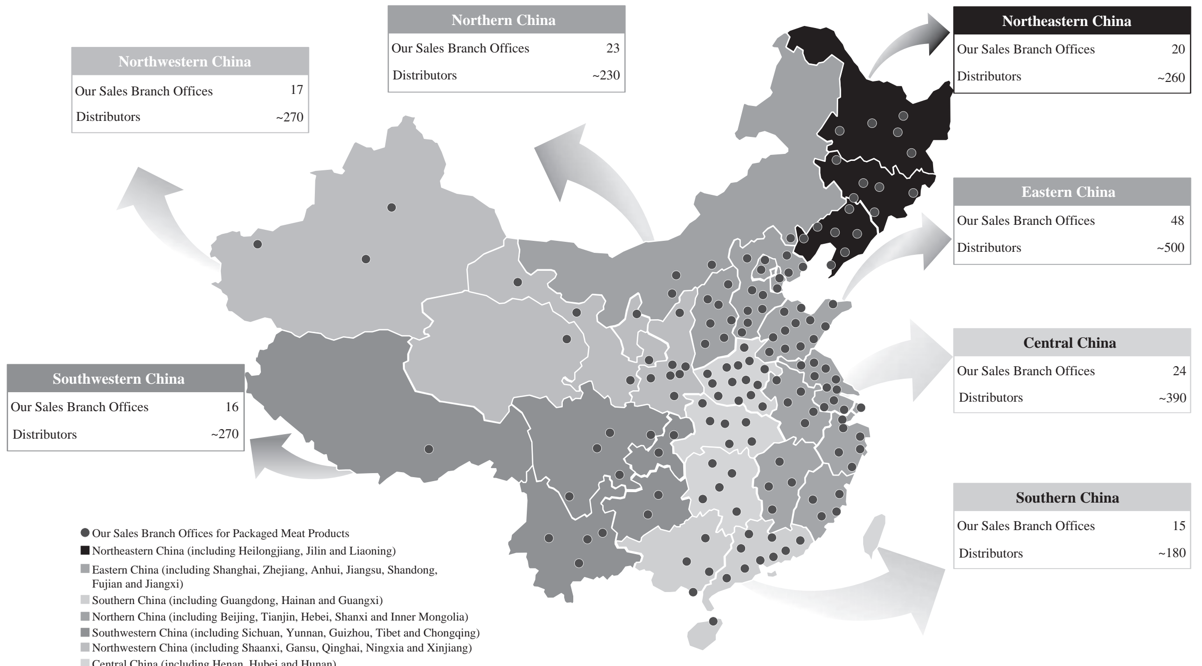
- *Specialty Channels*. As of December 31, 2013, our packaged meat products were sold at specialty channels through more than 44,900 points of sales, including schools, hotels, restaurants, railway stations, bus depots and highway rest stations;

- *Meat Snack Stands*. As of December 31, 2013, our packaged meat products, such as Taiwan roast sausage, were sold at more than 125,000 meat snack stands, generally set up in areas with high pedestrian traffic, such as on street corners or in internet cafes, parks or and markets; and

- *Wholesale Outlets*. As of December 31, 2013, our packaged meat products were sold at more than 17,000 wholesale outlets, including primarily outlets at wholesale food markets.

Nearly all of our packaged meat products are marketed through our distributors. We generally did not sell packaged meat products directly to points of sales during the Track Record Period.

The illustration below sets forth the geographic distribution of our packaged meat products distribution network in China as of December 31, 2013. Sub-distributors are not included in the illustration.



Points of Sale for Fresh Pork Products

The points of sales for our fresh pork products in China can be primarily grouped into four categories:

- *Shuanghui Designated Stores*. As of December 31, 2013, our fresh pork products were being sold at more than 17,000 Shuanghui Designated Stores. Such stores are generally small-sized stores, mainly selling our fresh pork to consumers in local communities. We authorize such stores to use our "Shuanghui" brand on the conditions that such stores (i) make monthly minimum purchases of our fresh pork products, and (ii) install necessary refrigerator and other facilities to ensure food quality and safety. We do not charge any franchise or management fees. We anticipate future growth in our points of sales for our fresh pork products through the expansion of Shuanghui Designated Stores.

- *Hypermarkets & Supermarkets*. As of December 31, 2013, our fresh pork products were being sold at over 3,700 hypermarket or supermarket outlets, such as Walmart and Carrefour.

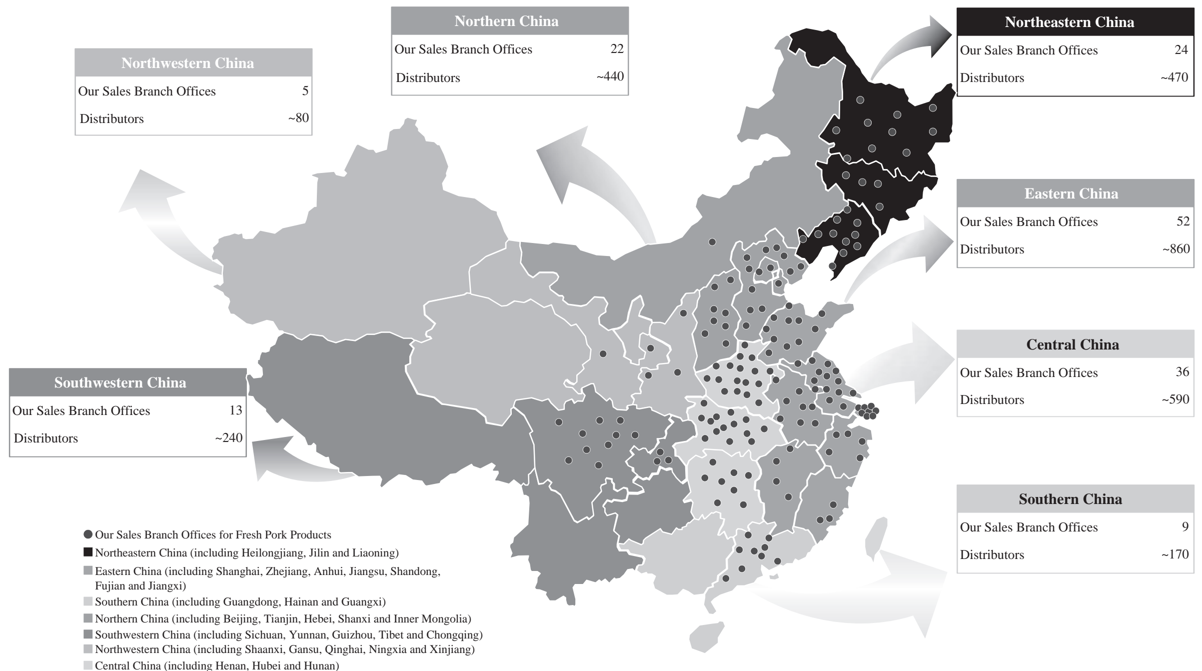
- *Food Service Companies*. Our fresh pork products were being sold at more than 1,900 food service companies as of December 31, 2013, including primarily catering services companies, meat processing plants, large canteens and major food processing plants.

- *Wet Market Outlets*. Our fresh pork products were being sold at over 1,100 wet market outlets as of December 31, 2013.

We sell our fresh pork products through distributors and also directly to points of sales. Since we make direct sales to points of sales which are not covered by the network of our distributors, there is no competition between us and our distributors. The following table sets forth the breakdown of turnover from our fresh pork products in China by direct sales to points of sales and sales to distributors for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	Turnover		Turnover		Turnover	
	(US$ million, except percentages)					
Direct sales to points of sales	229	10.9%	318	13.1%	401	13.3%
Sales to distributors	1,866	89.1%	2,101	86.9%	2,609	86.7%
Total Turnover from Fresh Pork Products in China	2,095	100.0%	2,419	100.0%	3,010	100.0%

The illustration below shows the geographic distribution of our fresh pork sales and distribution network in China as of December 31, 2013.



Shuanghui Retail Grocery Chain

We own and operate a chain of retail grocery stores under the "Shuanghui" brand, consisting of over 270 self-owned stores as of December 31, 2013; we also license a limited number of franchise stores of the same format, consisting of over 90 stores as of December 31, 2013. The aggregate floor space of our self-owned stores and franchise stores was more than 35,000 square meters as of December 31, 2013. All of the franchise stores are located in Henan and Hubei Provinces in China. We enter into franchise agreements with the owners of the franchise stores, which authorize the owners to operate the stores under the "Shuanghui" brand and where we agree to provide management and supervisory services in relation to the stores. In exchange, we generally collect annual management fees. We currently do not intend to expand our franchise store network.

Our Sales Network in our U.S. and International Operations

In our U.S. and international operations, we sell our fresh pork, packaged meat and other meat products primarily to retailers, food service companies, other food processors and export markets.

The table below sets forth percentage breakdowns of Smithfield's U.S. sales of fresh pork and packaged meat products by channel for the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013.

	Smithfield 2011 Fiscal Year		Smithfield 2012 Fiscal Year		Smithfield 2013 Fiscal Year		Eight months ended December 29, 2013	
	Fresh pork products	Packaged meat products	Fresh pork products	Packaged meat products	Fresh pork products	Packaged meat products	Fresh pork products	Packaged meat products
Foodservice	13.9%	30.6%	10.7%	31.4%	10.3%	30.7%	9.8%	32.9%
Retail	39.3%	61.3%	34.4%	61.9%	37.1%	62.1%	40.4%	60.2%
Exports	27.7%	2.1%	34.1%	2.4%	30.4%	2.9%	25.7%	3.1%
Food processors or industry customers	19.1%	6.0%	20.8%	4.3%	22.2%	4.3%	24.1%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In the U.S., we sell fresh pork and packaged meats to top retailers and food service companies, and our products are used in the largest restaurant chains:

- *Top Retailers*. We sell our products to the majority of the top 75 retailers in the U.S. and all of the top 10 retailers in the U.S., such as Walmart, Kroger and Costco.

- *Top Food Service Companies*. We sell our products to every one of the top 20 food service companies in the U.S. Through our sales to these food service companies, products are used in nine of the ten largest restaurant chains in the U.S., such as McDonald's, Subway, Burger King, Starbucks, Dunkin' Donuts, Wendy's and those of Yum! Brands.

We were the largest exporter of pork products from the U.S. by volume in the nine months ended September 30, 2013, according to Frost & Sullivan, and we export to over 30 countries worldwide. We primarily export fresh pork products from the U.S. Smithfield had gross export sales of US$1,410 million, US$1,942 million, US$1,705 million and US$898 million for the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, respectively. The table below sets forth total Smithfield's U.S. exports as a percentage of gross sales by destination country for the periods indicated.

Smithfield's U.S. exports	Smithfield 2011 Fiscal Year		Smithfield 2012 Fiscal Year		Smithfield 2013 Fiscal Year		Eight months ended December 29, 2013	
	Revenue		Revenue		Revenue		Revenue	
	(US$ million, except percentages)							
Mexico	237	17%	251	13%	308	18%	221	24%
Japan	517	37%	670	35%	609	36%	294	32%
China-HK	167	12%	529	27%	277	16%	181	20%
Canada	133	9%	163	8%	193	11%	59	6%
Russia	114	8%	89	5%	86	5%	0	0%
Korea	100	7%	110	6%	73	4%	31	3%
Philippines	42	3%	32	2%	36	2%	16	2%
Others[(1)]	101	7%	98	4%	122	8%	122	13%
	1,411	100%	1,942	100%	1,704	100%	924	100%

Note:

(1) Others consists of Angola, Aruba, Australia, Bahamas, Bermuda, Caribbean, Chile, Columbia, Costa Rica, Croatia, Cuba, Dominican Republic, Ecuador, El Salvador, Guam, Guatemala, Haiti, Honduras, EU, Indonesia, Macedonia, Malaysia, New Zealand, Panama, Peru, Puerto Rico, Singapore, Tahiti, Ukraine, Uruguay, Venezuela, Vietnam and Taiwan.

In Poland, we primarily sell our products to large retail chains, small retail chains, discount retailers and as exports to other European countries. In Romania, we primarily sell our products to large retail chains, small retail chains, other food processors and as exports to other European countries.

The table below sets forth percentage breakdowns of Smithfield's sales of fresh meat and packaged meat products in Poland and fresh meat products in Romania, in each case by channel, for the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013.

Poland:

	Smithfield 2011 Fiscal Year		Smithfield 2012 Fiscal Year		Smithfield 2013 Fiscal Year		Eight months ended December 29, 2013	
	Fresh meat products	Packaged meat products	Fresh meat products	Packaged meat products	Fresh meat products	Packaged meat products	Fresh meat products	Packaged meat products
Retail chains	30.6%	23.0%	24.5%	22.0%	21.5%	20.5%	20.5%	24.1%
Discount retailers	17.1%	34.7%	18.5%	37.4%	15.7%	38.2%	10.0%	34.6%
Small retailers	27.8%	23.7%	32.0%	21.1%	39.0%	19.7%	39.5%	18.0%
Exports	24.5%	18.6%	25.0%	19.5%	23.8%	21.6%	30.0%	23.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Romania:

	Smithfield 2011 Fiscal Year	Smithfield 2012 Fiscal Year	Smithfield 2013 Fiscal Year	Eight months ended December 29, 2013
	Fresh pork products	Fresh pork products	Fresh pork products	Fresh pork products
Retail chains	27.1%	26.3%	27.6%	26.1%
Small retailers	14.6%	15.5%	23.2%	18.4%
Exports	—	1.6%	11.0%	16.5%
Food processors	43.5%	45.1%	35.5%	37.2%
Other	14.8%	11.5%	2.7%	1.8%
Total	100.0%	100.0%	100.0%	100.0%

Customers

Our customers for packaged meat products in China are primarily distributors, while the customers for our fresh pork products include distributors as well as points of sales. We directly sell fresh pork products to certain points of sale, such as hypermarkets, supermarkets and food service companies, that are not covered by our existing network of distributors. We have maintained long-term and stable relationships with our customers. We had an average of approximately four years of business relationships with our five largest customers in China during the years ended December 31, 2011, 2012 and 2013. Our sales to distributors in China are generally made on a cash-before-delivery basis. When we sell our products directly to points of sales such as hypermarkets, supermarkets and food service companies, we generally grant credit terms of approximately 30 days.

Smithfields' customers in the U.S. and internationally primarily consist of major retailers, food service companies, other food processors and export customers. Smithfield had over 10 years of business relationships with each of its five largest customers from the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013.

The Group's sales to our five largest customers and single largest customer for the years ended December 31, 2011, 2012 and 2013, all of whom were Independent Third Parties, are set forth in the table below.

	Year ended December 31,					
	2011		2012		2013*	
	Sales	% of total turnover	Sales	% of total turnover	Sales	% of total turnover
	(US$ million)		(US$ million)		(US$ million)	
Five largest customers.	119.0	2.2	119.3	1.9	820.0	7.3
Single largest customer	27.6	0.5	30.2	0.5	345.0	3.1

* Smithfield was acquired by us and became part of the Group in September 2013.

None of our Directors, their respective associates or Shareholders who own five per cent or more of the total issued Shares had an interest in any of the Group's five largest customers during the Track Record Period.

Feedback Management

We have established a detailed set of procedures for collecting and processing consumer feedback in China, the U.S. and internationally. We maintain consumer service hotlines and email addresses for receiving consumer inquiries, feedback and complaints in each of these areas. We record all complaints that we receive, including information regarding the relevant products involved, such as product series and batch number. The consumer complaints that we have received with respect to our products in China have mainly related to problems that occurred in the distribution process after we sold the products, such as molding caused by breakage of packaging or unclear labeling resulting from friction during transport. Complaints received are passed first to our sales personnel responsible for the relevant region, who then reach out to the consumers and collect additional information regarding the complaints. Based on information collected by our sales personnel, our relevant production department and quality control center are immediately notified about any reported product defects and carry out remedial measures as necessary. The relevant sales personnel are responsible for following through the process until the complaint has been appropriately dealt with. For example, communicating with consumers and paying reasonable compensation to the consumer; communicating with the media or pursuing legal action. A report for the concluded complaint is prepared and filed internally for record keeping. We did not receive any material complaints from consumers in our U.S. or international segments during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, (i) our China operations were not subject to any material fines or other penalties from government authorities or regulatory bodies regarding product quality or safety, (ii) we had not been required under the PRC laws to undertake any mandatory product recalls in China, and (iii) we did not have any material product liability exposure. Except the events following the media reports in 2011 regarding clenbuterol hydrochloride, we did not receive any material consumer complaints in connection with product quality. Please see the section headed "— Quality Control and Food Safety — Quality Control and Food Safety in China — Quality Control in Product Returns".

During the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, (i) Smithfield was not subject to any material fines or other penalties from governmental authorities or regulatory bodies regarding product quality or safety in its U.S. or international operations, (ii) was not required under the U.S. laws or relevant international laws to undertake any mandatory product recalls in the U.S. or internationally and (iii) did not receive any material customer complaints in connection with product quality.

Product Returns and Warranty

Our customers are generally not allowed to return any fresh pork products after they have accepted delivery. With respect to our packaged meat products in China, returns are generally allowed if they (i) are found to be defective, or (ii) are not successfully resold by the relevant expiration dates. Defective packaged meat products may be returned by single units or batches, depending on the scale of quality defects. For packaged meat products that are returned, we fully or partly compensate the customer by providing discounts for such customer's next order. During the Track Record Period, there were no material product returns from our customers, primarily reflecting the quality and generally strong consumer demand for our products. As a result, no provision of product warranty was recorded during the Track Record Period.

The following table sets forth the return rates for our packaged meat products in China for the periods indicated:

Returns for packaged meat products in China	Year ended December 31,		
	2011	2012	2013
	('000 metric tons, except return rate)		
Packaged Meat Products Sold	1,447.8	1,551.5	1,714.2
Packaged Meat Products Returned	22.1	23.1	17.2
Return Rate by Volume	1.5%	1.5%	1.0%

As to our U.S. and international operations, our product return policy generally covers unsalable merchandise that is out of date, broken, crushed or dented at the store level, or that is under- or over-filled, mislabeled, soiled, leaking or missing labels. Smithfield did not receive any material products return requests from customers in its U.S. or international operations during the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013.

Pricing

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. Generally, we set a benchmark price for a given product, which is subject to adjustments reflecting the local competitive environment or nature of the particular targeted points of sales. We determine our benchmark prices for our distributors by considering a variety of factors, such as the dynamics of market demand and supply, cost of production, positioning of our brands, market profile of our products, spending patterns of target consumers, competitive landscape and prices set by competitors. We may also make benchmark price adjustments depending on different sales channels and target geographical markets. We endeavor to make timely adjustments to our benchmark prices in the event of fluctuations in raw material prices to maintain our profitability.

Prices for our fresh pork products are generally based on the prevailing market rates in different regional markets. The prices for our packaged meat products are less dependent on the prevailing market rates as they have a higher degree of differentiation. In general, while the prices of our packaged meat products will fluctuate to a certain degree along with the prevailing market price of pork, it is generally more stable than that of our fresh pork products.

When distributors resell our products to various points of sales in China, they may refer to the suggested resell price guidelines provided by us under our distribution agreements. The ultimate consumers purchase our fresh pork and packaged meat products from the points of sale at retail prices. We do not have any control over such retail prices.

In our U.S. and international operations, we also price our products differently according to product category. Generally, factors affecting our pricing in our U.S. and international segment include commodity prices, costs of production, the regional competitive landscape, our continued ability to differentiate our products from those of our competitors, our product positioning strategies, realization of price premium from brand value and the pricing and other strategies of competitors. Fresh pork products are generally priced based on the prevailing market rates in different regional markets. For example, fresh pork products in the U.S. are generally set with reference to the USDA price after taking into account factors such as pork supply and demand, the quality of the pork and freight expenses. Packaged meat product prices, on the other hand, are less dependent on the prevailing market rates as they have a higher degree of differentiation. In general, while the prices of packaged meat products also fluctuate to a certain degree along with the prevailing market prices of pork, the prices of packaged meat products are generally more stable than those of our fresh pork products in our U.S. and international segment.

Seasonality

There are seasonal patterns for purchases of pork products and pork production in the countries and global markets where we operate.

On the demand side, consumer purchases of pork products in China usually peak during the periods before the major traditional Chinese festivals, such as the Chinese Lunar New Year, Mid-Autumn Festival and National Day. Our sales in the second half year are also generally higher than those in the first half year in China. In the U.S. and international markets, the highest sales

periods for hams are the holiday seasons such as Christmas, Easter and Thanksgiving and the periods of highest sales for smoked sausages, hot dogs and luncheon meats are the summer months. Our U.S. and international pork segments typically build substantial inventory of hams in anticipation of the increase in sales related to the holidays. As the world's largest packaged meat and fresh pork company with leading positions and brands in China, the U.S. and parts of Europe, we adjust our sales strategies for our products according to the seasonality of different markets.

On the supply side, our China, U.S. and international hog production segments experience lower farrowing performance during the winter months and slower animal growth rates during the hot summer months, resulting in a decrease in hog supplies in the summer and an increase in hog supplies in the fall.

BRANDING AND MARKETING

We are the leading company globally for branded pork products, according to Frost & Sullivan. Our fresh pork and packaged meat products are marketed and sold under a diverse portfolio of leading brands in various regions of the world, including the "Shuanghui" (雙匯) brand in China, and our 12 core brands in the U.S., Smithfield, Farmland, John Morrell, Gwaltney, Armour, Eckrich, Margherita, Carando, Kretschmar, Cook's, Curly's and Healthy Ones. We sell our packaged meat products in Poland under our Krakus, Morliny and Yano brands. We also sell a substantial quantity of packaged meat products as private-label products in the U.S. and in our international operations.

Our fundamental marketing strategy is to provide quality and value to the ultimate consumers of our products. Our branding strategy focuses on managing a diverse and coherent brand portfolio and growing our brand equity as a critical element for building strong and profitable relationships with consumers. We believe that high brand equity provides us competitive advantages, such as high levels of consumer brand awareness, pricing flexibility, and bargaining leverage with distributors.

Branding and Marketing in China

Our fresh pork and packaged meat products are marketed and sold under the "Shuanghui" (雙匯) brand in China. In 2013, the "Shuanghui" brand was valued by an independent brand valuation firm in Beijing at approximately RMB27 billion (approximately US$4 billion). It was also recognized as a "Chinese Well-Known Trademark" by SAIC in 1999 and has held this national accolade ever since.

Our branding and marketing strategy in China is an integral part of our global strategy, focusing on the following areas:

- *Continuing to grow the "Shuanghui" brand*. We position the "Shuanghui" brand as a name representing quality, safety and healthiness. In China, we plan to increase brand recognition among a broader audience by deepening the penetration of our current distribution channels and expanding our retail presence. We also intend to increase our promotion activities, including expanding our advertising campaigns, new product promotions and online marketing and increasing our product exhibitions. For example, we intend to continue engaging in various sports marketing activities such as sponsoring China International Women's Volleyball Tournament and Chinese National Swimming Team.

- *Extending core brands from the U.S. and international operations to PRC market.* We intend to launch new packaged meat products in China using U.S.-sourced pork, brands and Smithfield technologies. This initiative would couple Shuanghui's knowledge of local consumer preferences and extensive sales and distribution network with Smithfield's reputation for premium pork products.

For the years ended December 31, 2011, 2012 and 2013, our advertising and promotional costs in China amounted to approximately US$55.4 million, US$56.8 million and US$68.3 million, respectively.

Branding and Marketing in the U.S. and International Operations

Our most popular brands in the U.S. include Farmland, Smithfield, Eckrich, Armour, Margherita and John Morrell. John Morrell has been in business in the Midwest U.S. since 1864. Our Smithfield and Farmland brands each have over a billion dollars in annual retail sales. Our brand portfolio in Poland includes Krakus, Morliny, Berlinki and Yano, and our brand portfolio in Romania includes Comtim and Agroalim. We follow a comprehensive brand strategy focusing on our core brand portfolio as well as individual brands that play to demographics and regional preferences of key consumer segments. For example, we segment our brand portfolio by price spectrum, positioning our John Morrell brand as a family value brand delivering quality products at great savings to consumers, and our Margherita brand as a premium brand commanding premium price for excellent quality.

It is one of the fundamental tenets of our organic growth strategy to continue investing in marketing and advertising programs to build brand equity and grow sales. We have a variety of consumer advertising and trade promotion programs designed to build awareness and increase sales distribution and penetration. For example, Smithfield has entered into a partnership since 2012 with Richard Petty Motorsports, a performance and marketing driven company operating two teams in competition in the NASCAR Sprint Cup Series. Under the partnership program, Smithfield's brands including Eckrich, Farmland, Gwaltney and Smithfield all participate as primary sponsors, engaging fans and customers with unique marketing initiatives that introduce them to Smithfield's brands and products.

For the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, Smithfield's aggregate advertising and promotional costs for its U.S. and international operations amounted to approximately US$120.1 million, US$122.9 million, US$143.1 million and US$111.5 million, respectively.

LOGISTICS AND TRANSPORTATION

Our logistics network in China is primarily owned and operated by Shuanghui Logistics and its 17 subsidiaries. Shuanghui Logistics is a directly owned subsidiary of Shuanghui Group, and is not a subsidiary of Shuanghui Development. As of the Latest Practicable Date, we had 17 logistics centers across 14 provinces in China, covering not only the majority of economically developed and densely populated areas but also the majority of rural areas. According to Frost & Sullivan, we own the largest cold chain logistics network in China. As of December 31, 2013, our logistics network owned over 1,200 refrigerated and 200 ambient temperature transport vehicles, supplemented by approximately

1,500 delivery vehicles owned by third-party contract operators who may provide transport services on an as-needed basis. Our logistics network is also supported by seven dedicated rail lines connecting our operating facilities to the Chinese national railway system, six of which are owned by us. The logistics network operated by Shuanghui Logistics and its subsidiaries is primarily used by Shuanghui Development to transport and deliver packaged meat and fresh pork products to its customers. In return, Shuanghui Development pays service fees to Shuanghui Logistics or its subsidiaries based on logistics service agreements between them. Our logistics network also provides logistics and transportation services to third parties. For the years ended December 31, 2011, 2012 and 2013, turnover generated by Shuanghui Logistics and its subsidiaries from intra-group provisions of logistics and transportation services amounted to US$101.2 million, US$130.9 million and US$156.3 million, respectively; turnover generated from provisions of logistics and transportation services to third parties amounted to US$35.9 million, US$23.2 million and US$27.8 million for the same periods. Our logistics network is dedicated to ensuring timely and safe delivery of our products. We apply strict requirements with respect to the hygiene and temperature of the transportation process by which our products are delivered to our customers, to ensure that our products are under a controlled environment and condition while in transit. For details regarding our quality control measures for the logistics and transportation process, please see the section headed "— Quality Control and Food Safety — Quality Control over Our Storage and Logistics in China".

In the U.S., we use a combination of our own vehicles, leased tractor trailers, independent common carriers and owner-operators to distribute live hogs, fresh pork, packaged meat and other meat products to our U.S. customers, as well as to move raw materials between plants in the U.S. for further processing. We coordinate deliveries and use backhauling to reduce overall transportation costs in the U.S. We distribute products directly from some of our U.S. plants and from leased distribution centers primarily in Pennsylvania, North Carolina, Virginia, Kansas, Indiana, Illinois, California, Nebraska and Texas. We also own distribution centers adjacent to our plants in Bladen County, North Carolina, Sioux Falls, South Dakota and Crete, Nebraska. Internationally, we distribute our products through owned warehouse facilities.

RAW MATERIALS AND SUPPLIERS, HEDGING AND INVENTORY

Raw Materials and Suppliers

The large volume of raw materials we purchase for our operations provides us with significant bargaining power in procurement. Moreover, due to our global operations and concentrated procurement, we are able to source our raw materials from various regions to benefit from cost advantages. In addition, we make our purchase of certain raw materials strategically in order to take advantage of variations in price cycles in different markets. For more details, please see the section headed "Financial Information — General — Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items — Cost of sales".

For the years ended December 31, 2011, 2012 and 2013, purchases from the Group's five largest suppliers amounted to US$249.0 million, US$282.4 million and US$466.9 million, respectively, representing approximately 5.5%, 5.8% and 5.9% of our total purchases in the respective periods. Purchases from the Group's single largest supplier amounted to US$80.2 million, US$80.8 million and US$110.0 million, respectively, representing approximately 1.8%, 1.7% and 1.4% of our total

purchases for the same periods. We have maintained long-term and stable relationships with our suppliers. For our five largest suppliers during the years ended December 31, 2011, 2012 and 2013, we had maintained business relationships with these suppliers on average for more than one decade. As of the Latest Practicable Date, no single supplier accounted for more than 2% of the Group's total purchases. None of the Directors, their respective associates or Shareholders who owned five per cent or more of the total issued share capital of the Company had any interest in any of the Group's five largest suppliers during the Track Record Period.

Raw Materials and Suppliers in Our China Operations

Live hogs, meats and feed ingredients are the primary raw materials of our operations in China. The majority of the live hogs used in our PRC operation are sourced from domestic suppliers, with our hog production segment in China supplying the remaining portions. For our quality control over the purchase of raw materials, please see the section headed "Quality Control and Food Safety — Quality Control and Food Safety in China — Quality Control over Raw Materials in China". We did not experience any material shortage or delay in the supply of raw materials during the Track Record Period.

We have not entered into and do not intend to enter into long term agreements with our suppliers in China. We generally purchase raw materials on a monthly basis, while goods with short shelf-life are purchased on a weekly or even daily basis. For raw materials with strong price volatility, such as frozen chicken meat, we may choose to purchase them en bloc at opportune prices and stockpile them to be used over a relatively long period.

We have established a comprehensive and flexible supplier management system in China with the following significant features:

- *Qualification Assessment*. We may only purchase from our approved suppliers. We assess the accreditation, capacity, reliability and quality control of each supplier candidate before designating it as one of our approved suppliers. We may conduct on-site inspection of the candidate's production facilities if necessary.

- *Purchase Price*. We adopt a flexible system to determine the purchase price in each transaction with a supplier. For large-volume purchases of commodities with volatile price fluctuations, such as live hogs and feed grains, we determine the purchase price by analyzing market supply and demand dynamics and our inventory level. If we purchase raw materials from open and highly competitive markets, we invite bids from approved suppliers and determine the purchase price by comparing the tendered bids. For purchases of goods that require complex technical specifications, we determine the purchase price by negotiating with selected suppliers who have the necessary technical capability.

- *Guarantee of Quality and Food Safety*. When each supplier delivers the purchased goods to us, it is required to execute a guarantee of product quality and food safety and provide us with government inspection and quarantine certificates (for live hogs and other primary raw materials) or the suppliers' own inspection reports (for ancillary ingredients).

- *Periodical Review*. We conduct periodic review of our suppliers based on feedback as to the quality, timeliness of delivery and availability of the goods supplied. Depending on the outcome of the review, we may prioritize procurements from suppliers graded as superior performers.

For the years ended December 31, 2011, 2012 and 2013, the average credit period on our purchases of supplies in China was approximately 30 days.

Raw Materials and Suppliers in Our U.S. and International Operations

Feed grains, including corn, soybean meal and wheat, are the primary raw materials of our hog production operations in the U.S. These grains are readily available from numerous sources at competitive prices. In the U.S., we generally purchase corn and soybean meal through forward purchase contracts. Historically, grain prices have been subject to fluctuation due to factors such as consumption demand, government policies and weather conditions in major farming regions.

Live hogs are the primary raw material of our fresh pork and packaged meat operations in the U.S. Historically, hog prices have been subject to substantial fluctuations. Hog supplies, and, consequently, prices, are affected by factors such as corn and soybean meal prices, weather and farmers' access to capital. Hog prices tend to rise seasonally as hog supplies decrease during the hot summer months and tend to decline as supplies increase during the fall. This tendency is due to lower farrowing performance during the winter months and slower animal growth rates during the hot summer months. For information about our hedging activities in relation to grain and hog prices, please see the section headed "— Hedging".

In the Smithfield 2013 Fiscal Year, Smithfield's fresh pork and packaged meat products segments together purchased approximately 53% of all live hogs that they used in the U.S. from Smithfield's hog production segment. In addition, we have multi-year agreements with two of the top 15 hog producers in the U.S. pursuant to which they have agreed to provide us with a stable supply of high-quality hogs at market-indexed prices. These contracts are effective until six years following the date of notice of termination given by one of the parties. Pursuant to the contracts, Smithfield is required to purchase all market hogs produced by these suppliers in certain states of the U.S., up to a maximum of 340,000 in aggregate per month. These producers supplied approximately 12% of the hogs processed by our U.S. fresh pork and packaged meat operations on a combined basis in the Smithfield 2013 Fiscal Year. We also purchase hogs at our Southeastern and Midwestern processing plants and our buying stations in the Southeast and Midwest in the U.S.

We purchase fresh pork from other meat processors to supplement our processing requirements in the U.S. Additional purchases include raw beef, poultry and other meat products that are added to sausages, hot dogs and luncheon meats. Those meat products and other materials and supplies, including seasonings, smoking and curing agents, sausage casings and packaging materials, are readily available from numerous sources at competitive prices.

Live hogs are also the primary raw materials of our meat processing operations in our international segment, with the primary source of hogs being our hog production operations located in Poland and Romania. During the Smithfield 2013 Fiscal Year, Smithfield purchased approximately 68% of the live hog requirements of its international segment from its own hog production operations located in Poland and Romania.

Given the vertical integration between hog and pork production in our U.S. operations, we primarily source the raw materials for our U.S. pork segment internally. Accordingly, Smithfield does not track its raw material cost on a consolidated basis. Smithfield did not experience any material shortages or delays in the supply of raw materials or material quality issues with respect to its raw materials during the Track Record Period.

We have established supplier codes of conduct aimed at ensuring that our U.S. and international suppliers meet or exceed our expectations. This code has been incorporated into our existing contracts with our suppliers. For additional details regarding our quality control with respect to suppliers, see the section headed "— Quality Control and Food Safety" above.

Hedging

Our meat processing and hog production operations in the U.S. use various raw materials, mainly corn, lean hogs, soybeans and wheat, which are actively traded on U.S. commodity exchanges. We hedge these commodities in the U.S. when we determine conditions are appropriate to mitigate the inherent price risks. The main objectives of our U.S. hedging program are to reduce hog production margin volatility and mitigate commodity price risk associated with forward sales in our pork segment. While this hedging activity may limit our ability to participate in gains from favorable commodity fluctuations, it also has the potential to reduce the risk of loss from adverse changes in raw material prices. For further information, please see the section headed "Risk Factors — Risks Relating to Our Business — We may be adversely affected by our hedging activities".

All of our hedging activity in the U.S. is conducted through the Chicago Mercantile Exchange and typically utilizes contracts of less than 90 days. We selectively take longer-term options and swaps positions on corn and soybean meal through bank counterparties, however, our primary market methods for hedging are to purchase short-term corn and soybean futures and/or options to manage our input price risk. In addition, we selectively engage in forward pricing with our vendors and customers in order to mitigate the risks associated with fluctuating pork prices while also selling hog futures to hedge against the potential for falling hog prices which would impact our hog inventory.

Our U.S. hedging activities include robust daily and weekly reporting on our current derivative positions and activities to top management at the Smithfield and Company levels. Under the oversight of Smithfield's board of directors, Smithfield's top management formulates strategies and oversees our hedging activities and creates policies and standardized practices for implementation. Our hedging activities in the U.S. are in compliance with the limits and rules of the U.S. Commodities Futures Trading Commission. The head of our hedging team holds a Ph.D. in agricultural economics and has 30 years of experience in commodity hedging. All the other members of the hedging team have received their master degrees in agricultural economics, finance, accounting or other related majors, and have an average experience of more than 6 years.

For further details about Smithfield's historical hedging activities, see the section headed "Financial Information — Smithfield — Derivative Financial Instruments".

Inventory

Our inventories include raw materials, work in progress and finished goods. Raw materials consist primarily of feed grains, pork, chicken and other meat-related products, other food materials, packaging materials and consumables. Work in progress consists primarily of meat undergoing processing and related semi-finished packaging materials. Finished goods consist primarily of packaged meat products and fresh pork intended for external sale. A substantial portion of our inventories of finished goods consists of packaged meat products and frozen pork products.

Considering the perishable nature of most of our inventories, we seek to balance the operational flexibility provided by an appropriate level of inventory against the unnecessary waste from excess inventory. We organize our procurement based on estimates of our production volume for the next period, existing levels of inventory stock, and prevailing price levels of the raw materials. We control our inventory levels in China by setting up a cap on the days of inventory on hand for each category of our inventory. In our U.S. and international operations, we manage inventory through inventory control procedures ranging from daily stock takes to cycle counts. Our procedures also require obsolescence reviews, as applicable, at least quarterly. Inventory levels in our U.S. and international operations are also managed through an array of demand planning activities designed to balance production flows with sales forecasts and inventory levels. Perishable inventory levels are monitored and evaluated based on a number of factors, including the shelf life of the product, customer demand, seasonality and operational capacity. Non-perishable inventory levels are monitored and evaluated based on several factors including average usage, lead times, pricing and criticality of the item.

For details about our inventory provisioning policy, please see the section headed "Financial Information — General — Critical Accounting Policies and Estimates — Inventories".

RESEARCH AND DEVELOPMENT

We conduct research and development activities across the pork industry value chain, including hog production, fresh pork and packaged meat production and packaging. Our research and development efforts primarily focus on expanding our product offerings, upgrading our quality control technologies and developing new production techniques. For our accounting policy regarding research and development expenditures, please see Note 3 to section E of the Accountants' Report of the Group set out in Appendix IA to this prospectus and Note 1 to the Accountants' Report of Smithfield set out in Appendix IB to this prospectus.

In China, we have an extensive research and development platform, with a national-level technology research and development center and a post-doctoral research site. Our national-level technology research and development center at our headquarters was accredited by PRC authorities in 2001 as a national-level technology center in the PRC meat industry. As of the Latest Practicable Date, we had a team of over 200 research and development personnel in China, the majority of which has more than four years of related work experience and has obtained relevant tertiary education degrees. We operate 17 regional research centers in various regions of China to develop new products in accordance with regional tastes and preferences.

We have a track record of launching successful new products that help drive our revenue growth. In each of the years ended December 31, 2011, 2012 and 2013, the sales volumes of our new packaged meat products launched in China within the preceding two years contributed approximately 10% of the total sales volumes of our packaged meat products in China. For details about our current product development initiatives for packaged meat products in China, please see the section headed "— Our Products — Packaged Meat Products — China Packaged Meat Products". We also continuously invest in upgrading our quality control technologies and developing new production techniques. We generally complete over 50 projects every year in technological innovation. As a result of our investment in technology research and development, we hold a variety of patents in the PRC. For more details about our material patents, please see the section headed "Statutory and General Information — Further Information about the Business of The Company — 2. Our Material Intellectual Property Rights".

The total expenditure for research and development recorded as part of our administrative expenses in China was US$13 million, US$18 million and US$16 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Research and development in our U.S. and international hog production operations is focused on increasing the quality and performance of our animals at our farms and facilities. Our research and development activities related to fresh pork and packaged meat products primarily focus on improving packaging, meeting consumer demand for more healthy foods, providing consumers convenient time-saving solutions and developing better tasting products.

To support our U.S. and international research and development, Smithfield recently finished a new 35,000 square foot Innovation Center and Pilot Plant in the U.S. with three specialized state-of-the-art kitchens, dedicated product cutting room, and multimedia technologies throughout. The USDA inspected Pilot Plant simulates full-scale manufacturing processes so that new methods can be fully vetted and processing plant specifications can be determined prior to full scale launch. This new facility enables collaboration and co-development with key customers as well as quick product modification capabilities. In addition to our new Innovation Center and Pilot Plant, innovation occurs across the entire Smithfield platform. For example, one of Smithfield's operating companies recently developed a line of retail processed/smoked meats under the CB Old Country Store label for ham, lunch meats, bacon and summer sausage using a unique process for smoked items to develop a richer smoked flavor and meet deli quality levels.

Across our U.S. operations, we employed more than 55 research and development professionals as of December 29, 2013, 48 of those professionals had a college degree and 27 had an advanced degree. Our research and development team members in the U.S. have an average of nine years of experience in the industry. Smithfield's research and development expenses were US$47.0 million, US$75.9 million, US$80.9 million and US$55.1 million for the Smithfield 2011, 2012 and 2013 Fiscal Years and the eight months ended December 29, 2013, respectively.

INTELLECTUAL PROPERTY

We believe that intellectual property rights, including our trademarks, patents, copyrights and domain names, are important to the future of our business. We rely primarily on a combination of patents, copyrights, trademarks and third party confidentiality agreements to protect our intellectual property. Details of our material registered intellectual property rights, including trademarks, patents and domain names, are set out in the "Statutory and General Information — Further Information about the Business of The Company — 2. Our Material Intellectual Property Rights" in Appendix IV.

With respect to, among other things, proprietary know-how which is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. All of our research and development personnel are obligated to maintain of confidentiality our proprietary information. Additionally, under PRC laws and regulations, all of the patentable inventions, utility models and designs developed by our employees in connection with their employment with us are automatically assigned to us. We also require our business partners to enter into confidentiality agreements prior to receiving sensitive information regarding aspects of our operations, technology or business plans.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property. It is difficult to monitor unauthorized use of technology and know-how. In addition, our competitors may independently develop technology and/or know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property. During the Track Record Period and as of the Latest Practicable Date, to the best of our knowledge, we were not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

COMPETITION

We compete with major global competitors and an array of regional competitors around the world, including markets in China, U.S. and parts of Europe.

We are the largest producer of fresh pork products in China, according to Frost & Sullivan. The PRC market for fresh pork products is highly fragmented. Due to the growing scrutiny over food safety issues by consumers and regulators, it is expected that the trend of industry concentration will continue to accelerate. We are the largest producer of both packaged meat and packaged pork products in China in terms of revenue, with a packaged pork market share of 18.7% in the nine months ended September 30, 2013, which exceeded the combined market share of the next top ten producers in the market, according to Frost & Sullivan. Competition for packaged meat products in China is primarily based on brand recognition, quality, taste and price, as well as marketing strategy and sales and distribution network. Despite competition from local and international companies, we believe that our well-recognized "Shuanghui" (雙匯) brand, established relationships with distributors, strict quality control standards, extensive logistics network and strong product development capabilities may enable us to maintain and further expand our market share.

The U.S. pork industry is highly competitive. In contrast to the PRC pork industry, the U.S. pork industry has reached a mature and concentrated stage. The U.S. hog production market is characterized by large-scale and industralized farming. According to Frost & Sullivan, we are the largest hog producer in the U.S. with a market share of 13.2% in terms of volume during the first three quarters of 2013, larger than that of our next two closest competitors combined. We are the largest producer of fresh pork products in the U.S., with a market share of 31.7% in terms of volume during the first three quarters of 2013. Finally, we are the leader in the U.S. packaged pork product market. We are also the largest producer in a number of product segment markets, including ham, sausage and bacon. Our principal competition comes from other hog processors and packaged meat producers. We believe that the principal competitive factors in the pork processing industry in the U.S. are price, product quality and innovation, sales and distribution network and brand loyalty.

AWARDS AND RECOGNITION

During the years ended December 31, 2011, 2012 and 2013, our PRC operations have received numerous awards and recognition in respect of quality of our products, popularity of our brand, our social contributions and etc., including:

Awards/Recognition	Award Date	Awarding Institution/Authority
The World's 11th Most Innovative Company (2nd Most Innovative Chinese Company) (全球最具創新力企業排行榜第11位，中國企業第2位)	2013	Forbes Magazine （《福布斯》雜誌）
China's Advanced Enterprise in Commercial Quality and Efficiency (全國商業質量效益型先進企業)	2013	China General Chamber of Commerce (中國商業聯合會)
Official Partner of Chinese National Swimming Team; Designated Meat Supplier for Chinese National Swimming Team (中國國家游泳隊官方合作夥伴、中國國家游泳隊指定肉類供應商)	2013	Swimming Management Center of General Administration of Sport of China (國家體育總局游泳運動管理中心)
Advanced Enterprise in Technological Innovation of the 11th China Food Safety Annual Conference (第十一屆中國食品安全年會科技創新先進單位)	2013	Organizing Committee of China Food Safety Annual Conference (中國食品安全年會組織委員會)
2013 Asia Pacific Best Public Companies (Top 50) (2013亞太最佳上市公司50強)	2013	Forbes Magazine （《福布斯》雜誌）
Consumers' Most Favorite Agricultural Products in Central China (中國中部最受消費者喜愛的農產品)	2013	2013 Central China (Hunan) International Agricultural Fair (2013中國中部(湖南)國際農博會)
Outstanding Contribution Award for "Shuanghui" FIVB Volleyball World Grand Prix ("雙匯杯"2012世界女排大獎賽傑出貢獻獎)	2012	Volleyball Management Center of General Administration of Sport of China (國家體育總局排球運動管理中心)
China Meat Industry's Outstanding Contributing Enterprise (中國肉類產業卓越貢獻企業)	2012	China Meat Association (中國肉類協會)
China Meat Industry's Practice Base for Teachers and Students (中國肉類產業教師及學生實習基地)	2012	China Meat Association (中國肉類協會)

Awards/Recognition	Award Date	Awarding Institution/Authority
Pilot Enterprise for China's Food Safety Standardization Administration (中國食品安全標準化管理試點企業)	2011	Standard Chinese Development Alliance (標準中國發展聯盟)
The Best Integrity Enterprise of 2011 China Food Expo (Shen Yang) (2011中國(瀋陽)食博會最佳誠信企業)	2011	Organizing Committee of 2011 China Food Expo (Shen Yang)（2011中國(瀋陽)食博會組織委員會）
China Food Industry's Outstanding Contribution Enterprise (1981-2011)（1981-2011中國食品工業卓越貢獻企業）	2011	China National Food Industry Association（中國食品工業協會）
Consumers' Trust Enterprise with High Quality, Satisfactory Service and Integrity（消費者信得過《質量優秀、服務滿意、誠信企業》）	2011	China National Condition Investigation Committee (中國國情調查委員會)

During the periods of Smithfield 2011, 2012 and 2013 Fiscal Years and eight months ended December 29, 2013, Smithfield's U.S. operations were recognized by a number of leading organizations and publications. The following is a list of selected awards and recognitions:

Awards/Recognition	Award Date	Awarding Institution/Authority
Virginia Governor's Environmental Excellence Awards	2013	Virginia Department of Environmental Quality
Distinguished Service Citation National Award (for outstanding waste reduction/recycling efforts at the Martin City plant in Missouri)	2013	Keep America Beautiful Foundation
World Water Monitoring Challenge Water Champion Awards (Animex)	2013	World Water Monitoring Challenge
Received 39 environmental and 36 worker safety awards	2012/2013	American Meat Institute
FTSE4Good Index Member Company	2006-2013	FTSE
Ranked 166th on the Maplecroft Climate Innovation Index	2012	Maplecroft
2012 Global Best of Sustainable Supply Chain winner for employee health and safety	2012	McDonald's Corporation

Awards/Recognition	Award Date	Awarding Institution/Authority
Ranked second among all food production companies on the Fortune 2012 list of the "World's Most Admired Companies"	2012	Fortune Magazine
Advanced in Newsweek 2011&2012 Green Rankings	2011/2012	Newsweek Green Rankings
Received 62 environmental and worker safety awards	2011/2012	American Meat Institute
A^{+} Ranking for Sustainability Reporting	2011	Claremont Mckenna College

EMPLOYEES

Our Employees

We have a significant number of employees across our global operations. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. During the Track Record Period, we did not experience any strikes or significant labor and regulations disputes that had a material adverse effect on our business.

Employees in Our China Operations

As of December 31, 2013, employees in our China operations totaled 73,213 employees. Breakdowns of our employees in China by function as of December 31, 2013 are set forth below.

Production	60,378
Sales	4,124
Technology	2,897
Finance	807
Administration	2,057
Logistics	2,950
Total	73,213

As of December 31, 2013, approximately 32,000 employees were based in Henan province, with the remaining employees located across China.

Pursuant to applicable PRC regulations, we have made contributions for our employees to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds. During the Track Record Period

and up to the Latest Practicable Date, we were in material compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws. Our subsidiaries in the PRC have established labor unions in accordance with the applicable PRC laws. We are not subject to any collective bargaining agreements with respect to our operations in China.

Employees in our U.S. and International Operations

As of December 29, 2013, our operations in the U.S. and international operations had approximately 47,000 employees. The following table sets forth (i) the approximate number of employees of Smithfield and (ii) the approximate number of Smithfield employees covered by collective bargaining agreements or that were members of labor unions as of December 29, 2013.

	Employees	Employees Covered by Collective Bargaining Agreements[(1)]
U.S. Pork	32,400	18,166
International	10,250	755
U.S. Hog Production	5,050	—
Corporate	200	—
Total	47,900	18,921

Note:

(1) Includes all employees that are members of labor unions.

Approximately 3,600 employees under Smithfield are covered by collective bargaining agreements which will expire in the Smithfield 2014 Fiscal Year. Collective bargaining agreements covering certain other employees under Smithfield expire over periods throughout the next several years. We provide the majority of our U.S. employees with pension benefits. We believe that our relationship with our employees is satisfactory and do not foresee any difficulty in renewing our collective bargaining agreements once they expire.

Occupational Health and Safety

Occupational Health and Safety in China

We are subject to PRC laws and regulations regarding labor, safety and work-related incidents. During the Track Record Period, we complied with relevant PRC workplace safety regulatory requirements in all material respects. In the years ended December 31, 2011, 2012 and 2013, there were 18 major workplace injuries, including certain fatalities in some cases, at our China operations. These incidents were primarily caused by the relevant employees' violation of our standard operating procedures, machine malfunctions or maintenance accidents. We have fully compensated all injured employees or estates of deceased employees as required by applicable PRC laws and regulations. In addition, the injured employees or estates of deceased employees received compensation in

accordance with the workplace injury insurance policies we provided for our employees. No relevant employee or estate of relevant employee initiated any claim, litigation or proceeding against us on account of these accidents. We believe that these accidents have not had any material adverse impact on our financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, there has been no material penalty imposed upon us on account of these accidents, and we have not experienced any material suspension of business as a consequence of any of these accidents.

To reduce the potential risk of work injuries, we have implemented a comprehensive occupational health and safety system. Our occupational health and safety system in China primarily focuses on the following:

- *Equipment Maintenance.* We endeavor to repair and maintain in good condition all our facilities and equipment on a regular basis. We also continuously upgrade our equipment by installing additional safety devices to prevent or mitigate future occurrences of similar work injuries.

- *Safety Training*. We provide systematic safety trainings to all employees. Newly recruited employees must go through a series of training sessions. Employees operating key equipment must participate in periodic safety training. Before we employ any new equipment or production technology, the operating employees must be specifically trained with respect to the safety issues involved.

- *Safety Facilities*. For each of our expansion projects, safety facilities are constructed at the same time when the production facilities are developed. When the production facilities commence operation, the corresponding safety facilities must be ready to function.

- *Risk Management*. Based on periodic inspections of our facilities and data analysis of quantifiable indices for relevant chemicals, we grade the health and safety risks at each stage of our operations and identify the potential risks involved. We will strengthen the safety measures against the material health and safety risks identified.

- *Emergency Response Plan*. We have adopted emergency plans for our production facilities, laying out the responsible personnel and response procedures in the event of occupational health and safety emergencies.

We believe that our occupational health and safety system will help us ensure employee health and safety when we continue to expand our operations. However, there can be no assurance that similar or other material accidents will not occur in the future.

Occupational Health and Safety in the U.S. and International Operations

Ensuring our employees' safety is a top priority for the Company. Our extensive safety systems and programs, which go well beyond regulatory requirements, protect employees while reducing our workers' compensation costs. Overall, our U.S. operations beat the injury rates for the meat industry.

In the year ended December 31, 2012, Smithfield tragically experienced two worker fatalities in the U.S. An employee was asphyxiated at work at Smithfield Packing's Clinton, NC facility, for which Smithfield was subject to a negotiated penalty of US$174,650. Another employee was electrocuted at work at Smithfield Packing's Grayson KY facility, which resulted in a negotiated penalty of US$4,000. We believe we have taken all reasonable actions in relation to the above two fatalities according to applicable regulatory requirements and our financial condition or business operations had not been materially and adversely affected by them. Outside of these two fatalities, our empolyees did not experience any material accidents during the Track Record Period.

In recent years, Smithfield has advanced its health and safety systems by updating its Employee Injury Prevention Management System ("EIPMS") audit process and conducting further EIPMS and auditor-certification trainings. In the Smithfield 2013 Fiscal Year, Smithfield rolled out its behavioral risk improvement process ("BRI") at several new facilities. Under our EIPMS guidelines, each of the wholly owned subsidiaries under Smithfield must do the following:

- Develop and maintain effective safety-operating control measures and training programs;
- Set safety management targets and measure progress against trusted performance metrics;
- Create protocols to identify and control potential risks;
- Develop and updated emergency action plans;
- Establish, document and communicate responsibilities for all relevant staff;
- Identify nonconformance, accidents and near misses to prevent future incidents;
- Assess the management system for improvement opportunities on a regular basis; and
- Create formal avenues of communication between hourly employees and management staff.

Consistent auditing of each Smithfield facility is a key element of our success in reducing injury rates in the U.S. and international operations. Each U.S. facility has an in-house audit program that evaluates whether its EIPMS is effective. The EIPMS audit focuses on hazard identification and injury prevention, supplemented with an overview of regulatory compliance. These efforts help us identify hazards and risks, as well as help us develop injury prevention solutions before our employees are subjected to unnecessary risks.

ENVIRONMENTAL MATTERS

Effective environmental management is critical to the success of our business and to the achievement of our long-term sustainability goals. We expect our annual cost of compliance with environmental protection rules and regulations for the year ending December 31, 2014 to be

approximately US$40.0 million for our operations in China. For our U.S. and international operations, we measure our environmental costs of compliance in terms of fines and penalties payable and we do not expect to incur any material environmental costs of compliance for our U.S. or international operations for the year ending December 31, 2014.

Environmental Protection in China

We are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC, the Law on the Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》), the Law on the Prevention and Treatment of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》) and the Law on Prevention and Treatment of Solid Waste of the PRC (《中華人民共和國固體廢物防治法》). In particular, there are environmental regulations concerning the treatment of wastewater produced by our slaughtering and packaging facilities. Please see the section headed "Regulatory Overview" in this prospectus. We are subject to annual inspections by regulatory authorities with respect to these laws and regulations. We consider the protection of the environment to be important and have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under Chinese environmental laws and regulations. We have also implemented in China the requirements of ISO14001, which primarily relate to management of environmental impact of our operations and compliance with environmental protection laws.

To control the environmental impact of our hog production and hog processing operations in China, we have primarily adopted the following environmental protection measures:

- *Water*. We have constructed waste water processing facilities to process the waste water from our hog production and hog processing operations. This helps us to ensure no waste water is discharged in violation of the applicable PRC laws.

- *Animal Waste*. Manure and other animal waste from our hog production and hog processing operations are collected for efficient re-use as organic fertilizer. We have also established digester systems yielding biogas, which can be used for heating and/or electricity generation.

- *Greenhouse Gas*. To reduce our greenhouse gas emissions, we endeavor to improve nutrient absorption of the hogs at our hog production facilities by adjusting the ingredients in our feedstuffs. Our animal waste management also helps to cut methane and nitrogen emissions. We have installed biological odor control systems at our hog processing facilities to reduce environmental odor pollution.

For the years ended December 31, 2011, 2012 and 2013, our annual cost for environmental protection in China was approximately US$16.8 million, US$21.9 million and US$24.9 million, respectively.

Environmental Protection in our U.S. and International Operations

Our U.S. operations are subject to various federal, state and local environmental laws and regulations with respect to water pollution, air pollution, solid and hazardous waste and hazardous substances that may endanger public health, including the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act of 1976 and the Comprehensive Environmental Response, Compensation, and Liability Act. Please see the section headed "Regulatory Overview — Regulations material to our U.S. Operations — Environmental Laws and Regulations" in this prospectus for more information. Our meat processing and hog productions in Poland and Romania subject us to the laws and regulations in such jurisdictions with respect to environment protection. Both Poland and Romania are members of the European Union ("EU") and, as such, are required to follow EU regulations and to enact domestic legislation to give effect to EU legislation. EU environmental regulations impose various environmental requirements on our operations which, among other things, require us to obtain environmental impact assessment reports on activities with a significant environmental impact; obtain permits for perform certain activities considered to have an environmental impact (for example, the production and disposal of waste and the discharge of wastewater) and comply with the discharge limits set forth in the permits or regulations; pay for the emission of gas and dust into the atmosphere, the discharge of wastewater into the environment (water or soil). We are also subject to environmental inspection by the local authorities from time to time.

Our environmental programs for our U.S. and international operations are led by a senior corporate officer based in the U.S. and a team of environmental specialists who manage its environmental programs and drive performance improvements. Each of our independent operating companies in our U.S. and international operations also has a chief environmental professional, supported by at least one senior-level environmental manager. Every facility maintains at least one environmental coordinator tasked with ensuring compliance at all times. Our U.S. operating subsidiaries in our U.S. and international operations communicate regularly with our corporate team and provide recommendations for process improvements. At the supervisory level, our U.S. and international managers receive regular environmental training, provide technical expertise and resources to support environmental management and sustainability goals.

The ISO 14001-certified environmental management system ("EMS") in our U.S. and international operations addresses the environmental aspect of pork production and food-processing operations, provides training programs and facilitates engagement with local communities and regulators. We require all of our majority-owned operations in the U.S. and internationally to achieve ISO 14001 certification. This includes our European operations acquired over the past decade. ISO 14001 certification strengthens our environmental performance by requiring a long-term management plan that incorporates regular third party audits, goal setting, corrective action, documentation and executive review. It allows us to collect, analyze and report relevant environmental data to help ensure our continuing compliance with all applicable environmental legislation and regulations. The EMS is also an essential tool that we use to effectively allocate resources to gain efficiencies in energy use, water use and waste generation.

Our hog production facilities in our U.S. and international operations have been designed to meet or exceed all applicable zoning and other government regulations. These regulations require, among other things, maintenance of separation distances between farms and nearby residences, schools, churches, public use areas, businesses, rivers, streams and wells and adherence to required construction standards.

Smithfield measures environmental costs of compliance in terms of fines and penalties payable. Smithfield did not have any material environmental fines or penalties for the Smithfield 2011, 2012 or 2013 Fiscal Years or the eight months ended December 29, 2013.

INSURANCE

We consider our insurance coverage to be customary for the pork industry and in line with the commercial practice in countries where we operate.

Our insurance coverage in China primarily consists of insurance of property and employee related insurance. Our property insurance in China primarily covers such things as (i) areas which, due to their designed uses, have flammable or explosive materials or are subject to toxic leaks; (ii) refrigerated and other vehicles; (iii) construction machinery, equipment and materials; (iv) IT equipment; (v) our office buildings and facilities in Luohe, Henan Province; (vi) cargo in transit; (vii) cold storage inventories; (viii) sows; and (ix) finishing hogs. Our employer related insurance mainly consists of contributions to or provisions of the employee pension insurance, workplace injury insurance, maternity insurance, unemployment insurance, health insurance, housing funds as required by PRC laws and regulations.

Our U.S. operations are self-insured for certain losses related to health and welfare, workers' compensation, auto liability and general liability claims. We use an independent third party actuary to assist it in the determination of certain of its self-insurance liabilities. We and the actuary consider a number of factors, severity factors and other actuarial assumptions. We periodically review our estimates and assumptions with our third-party actuary to assist us in determining the adequacy of our U.S. self-insurance liability. The self-insurance liabilities of our U.S. operations contain certain uncertainties due to assumptions required and judgment used. Costs to settle its obligations, including legal and healthcare costs, could increase or decrease, causing estimates of its self-insurance liabilities to change. Incident rates, including frequency and severity, could increase or decrease, causing estimates in its self-insurance liabilities to change. Smithfield did not make any material changes in the accounting methodology used to establish its self-insurance liabilities during the Track Record Period. We do not believe there is reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate our self-insurance liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. A 10% increase in the estimates at the end of Smithfield 2013 Fiscal Year, would result in an increase in the amount Smithfield recorded for its insurance liabilities of approximately US$9.9 million.

In our international segment, we maintain insurance policies for, among other things, property damage, business interruptions, machinery breakdowns (where applicable), general liability, auto insurance, trade credit, electronic equipment and livestock.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board of Directors to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and the Group's assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Code of Conduct.* Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behavior.

- *Anti-corruption.* Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of China, the U.S. and other countries where we conduct our business operations. Compliance with our anti-corruption policies is a condition of employment.

- *Internal Audit.* Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended. The Audit Committee in our Board of Directors is responsible for supervising our internal audit function.

- *Compliance with Listing Rules.* Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors.

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritize and pair each risk with a mitigation plan. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting status of risk management. Our audit personnel, the Audit Committee in our Board of Directors, and ultimately our Board of Directors supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, research and development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of the Audit Committee in our Board of Directors and our Board of Directors, please see the

section headed "Directors, Senior Management and Employees". The key process points in our risk management include:

- *Identify*. We identify current and emerging risks in our business operations and categorize those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks.

- *Assess*. We assess and prioritize risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritize risks in terms of likelihood and impact severity.

- *Mitigate*. Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.

- *Measure*. We measure our risk management by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to our Board of Directors.

PROPERTIES

We occupy certain properties in China, the United States, Poland and Romania in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our farms, slaughter sites, processing plants, feed mills and research centers.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all the Group's interests in land or buildings, for the reason that, as of December 31, 2013, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Listing Rules, this prospectus is not required to include valuations of our properties.

We summarize below the information regarding properties material to our operations and businesses. Such summary does not include information about all of our properties owned, held or occupied by us.

Owned Properties

Our properties in the PRC

We have obtained land use right certificates for 124 parcels of land with an aggregate floor area of approximately 5,889,464 square meters and building ownership certificates for 432 buildings with an aggregate floor area of approximately 1,601,147 square meters as of the Latest Practicable Date.

We have not obtained the relevant building ownership certificates for 43 buildings with a total gross floor area of approximately 25,423 square meters, representing an aggregate of approximately 1.6% of the total gross floor area occupied by the Group in the PRC. These buildings are mainly workshops, warehouses or other auxiliary facilities. We have not obtained the relevant ownership certificates for these buildings primarily due to (i) failure to prepare the required application materials for building ownership certificate because of loss of aged documents, and (ii) failure to comply with government procedures for building constructions. According to our PRC legal adviser, the potential liabilities primarily include (i) fines in the amount of not more than 10% of the construction costs for not obtaining Construction Project Planning Permit prior to construction, (ii) fines in the amount of not more than 2% of the construction agreement price for not obtaining Building Engineering Construction Permit prior to construction, and (iii) fines in the amount of not more than 4% of the construction agreement price for putting into use before completed acceptance. We believe are not material in terms of monetary value considering the scale of our business operations. Our PRC legal advisor has advised us that the lack of ownership certificates for the 43 buildings will prevent us from lawfully transferring or mortgaging the buildings to a third party. We currently do not expect to transfer or mortgage any of the 43 buildings to any third party.

Our Directors are of the view that the 43 owned buildings without building ownership certificates are not, individually or collectively, crucial to, and will not have a material impact on, our operation and financial position primarily because (i) we have obtained the valid title certificates for nearly all of our owned properties in the PRC, representing 98.4% of the aggregate gross floor area of our owned properties in the PRC; we can easily relocate to our owned properties with valid title certificates in the event that we can no longer continue occupying any of the 43 buildings because of lack of ownership certificates; (ii) no governmental authority or third party has made any claims or imposed any penalty against us with respect to the 43 buildings; (iii) the safety conditions of the 43 buildings are not negatively impacted by the lack of ownership certificates; (iv) compared with similar buildings in comparable neighborhood, we believe that there is no material difference in the land cost and construction expenses in relation to the 43 buildings arising in connection with the lack of ownership certificates; and (v) we believe in the event that we are required to terminate our usage of these buildings, *(x)* the replacement premises for the 43 buildings are readily available, *(y)* the estimated time and cost for relocation would not be material, and *(z)* our operations located at these buildings could be relocated to new sites without material interruption to our business and our financial condition would not be materially affected. In light of the above, we believe that further remedial measures are not practically necessary. Please also see the section headed "Risk Factors — Risks Relating to Our Business — We are subject to potential adverse consequences due to our lack of building ownership certificates in respect of certain owned properties in the PRC."

Our properties in the United States, Poland and Romania

We owned 597 properties, including land and buildings, with an aggregate of approximately 603,282,740 square meters for our U.S., Poland and Romania operations. These are mainly used as hog production, grain storage and fresh pork and packaged meat production facilities, as well as feedmills.

Our U.S. operations are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

From time to time, Smithfield receives notices and inquiries from regulatory authorities and others asserting that we are not in compliance with particular laws and regulations in the U.S. In some instances, litigation ensues. In addition, individuals may initiate litigation against us. Many of Smithfield's facilities are subject to environmental permits and other regulatory requirements, violations of which are subject to civil and criminal sanction. In some cases, third parties may also have the right to sue to enforce compliance. For further details of regulatory and litigation matters, please see the section headed "Business — Legal Compliance and Proceedings".

The following table sets out a summary of all the properties, including land and buildings, owned by us which are considered material to our business:

Address and description of location	Use of property	Approximate gross floor area	Expiration of land use rights
		(square meters)	
PRC			
Anhui	Industrial	266,656	2061-2062
Guangdong	Industrial	97,744	2053
Guangxi	Industrial	341,250	2061
Hebei	Industrial	113,887	2052-2057
Heilongjiang	Industrial	422,884	2033-2061
Henan	Industrial/Residential/ Commercial	2,132,358	2044-2072
Hubei	Industrial	209,828	2052-2060
Inner Mongolia	Industrial/Residential	561,074	2048-2080
Jiangsu	Industrial	170,261	2058-2063
Jiangxi	Industrial	281,234	2060

Address and description of location	Use of property	Approximate gross floor area	Expiration of land use rights
		(square meters)	
Liaoning	Industrial	441,536	2051-2061
Shanghai	Industrial	51,298	2051
Shandong	Industrial	281,775	2049-2061
Sichuan	Industrial/Residential/ Commercial/Public Use	444,917	2055-2075
Yunnan	Industrial	21,817	2063
Zhejiang	Industrial	50,943	2053
United States			
Bladen County, North Carolina	Industrial	91,673	absolute title
Clinton, North Carolina	Industrial	68,023	absolute title
Crete, Nebraska	Industrial	51,548	absolute title
Cudahy, Wisconsin	Industrial	75,618	absolute title
Denison, Iowa	Industrial	40,072	absolute title
Grayson, Kentucky	Industrial	19,052	absolute title
Junction City, Kansas	Industrial	9,433	absolute title
Kinston, North Carolina	Industrial	39,839	absolute title
Martin City, Missouri	Industrial	11,617	absolute title
Mason City, Iowa	Industrial	18,231	absolute title
Milan, Missouri	Industrial	37,046	absolute title
Monmouth, Illinois	Industrial	35,141	absolute title
Omaha, Nebraska	Industrial	25,557	absolute title
Peru, Indiana	Industrial	23,241	absolute title
Sioux City, Iowa	Industrial	26,951	absolute title
Sioux Falls, South Dakota	Industrial	183,976	absolute title
Smithfield, Virginia	Commercial	10,116	absolute title
Smithfield, Virginia	Industrial	38,986	absolute title
Springdale, Ohio	Industrial	26,648	absolute title
St. Charles, Illinois	Industrial	26,059	absolute title
St. James, Minnesota	Industrial	12,022	absolute title
Wichita, Kansas	Industrial	16,543	absolute title
Wilson, North Carolina	Industrial	14,108	absolute title
Romania			
Timisoara	Industrial	52,323	absolute title
Poland[(1)]			
Debica	Industrial	12,908	absolute title
Elk	Industrial	54,051	absolute title
Ilawa	Industrial	15,436	absolute title
Morliny	Industrial	55,226	absolute title
Opole	Industrial	16,372	absolute title

Address and description of location	Use of property	Approximate gross floor area	Expiration of land use rights
		(square meters)	
Starachowice	Industrial	65,474	absolute title
Suwalki	Industrial	18,799	absolute title
Szcezencin	Industrial	69,650	absolute title

Note:

(1) All of these properties in Poland are mortgaged under local loan agreements. The properties secure working capital and long-term loans provided by six banks: Bank Pekao SA, ING Bank Slaski SA, Rabobank Polska SA, HSBC SA, BZ WBK SA, and Bre Bank SA. The total value of the loan commitments is PLN 420 million and the net book value of the mortgaged properties is PLN 380 million as of November 30, 2013. These properties were collateralized at various times with the oldest existing mortgage beginning in July 2009. The properties will continue to be collateralized until such time as the loans are repaid. The loans mature through April 2015, but may be amended and extended beyond this timeframe.

Leased Properties

We leased 19 properties with an aggregate of approximately 157,563 square meters for our U.S., Poland and Romania operations. These are mainly used as hog production, grain storage and fresh pork and packaged meat production facilities, as well as feedmills.

We leased 140 parcels of land with a total area of approximately 4,869,411 square metres and 625 buildings with aggregate GFA of 86,586 square metres in the PRC as at the Latest Practicable Date. The leases underlying these properties have certain defects:

(A) As of the Latest Practicable Date, the lessors of 277 of our leased properties, representing an aggregate GFA of approximately 45,119 square meters, had not provided us with title certificates or written consents from the owners evidencing authorisation of the subletting. These properties are mainly used for our sales branch offices, staff dormitories, warehouses and some of our retail chain grocery stores. Our PRC legal adviser has advised us that, with respect to these properties, we will not be penalized for the lessors' failure to provide the title certificates or other documents evidencing authorization of the subletting. However, if the lessors do not have the lawful rights to the properties, the relevant lease agreements may not be enforceable under PRC law and consequently we may not be able to continue to occupy and use such properties. As of the Latest Practicable Date, we were not aware of any challenge being made by any third party to our current occupation and use of such properties. We may be required to cease occupation and use of such leased property if a valid claim for these properties arises. We are communicating with our lessors to provide relevant certificates and documentary evidence, but the timing for obtaining such relevant certificates is beyond our control. As of the Latest Practicable Date, our business operations have not been disrupted due to our lessors' lack of relevant title certificates or lease right certificates or documents in relation to the relevant lease agreements.

(B) As of the Latest Practicable Date, we had not completed the administrative filings for registration with respect to 625 lease agreements. Our PRC legal adviser has advised us that our failure to complete the administrative filings does not affect the validity or enforceability of the relevant lease agreements. However, relevant governmental authorities may require that the lease agreements be registered within a stated period of time, failing which the PRC housing administration authorities may impose a maximum fine of RMB10,000 for each agreement that has not been properly filed. It is not clear under PRC law if the fine will be borne by the lessor or lessee. If the government authorities determine that we, as lessee, are liable for any or all of the fines, we would be liable for a maximum fine of approximately RMB6.3 million. According to the applicable PRC laws, lessors of the related leases need to provide us with certain documents in order to complete the administrative filing, which is beyond our control. We have been communicating with these lessors to provide us with the necessary documents to enable us to complete the administrative filings. As of the Latest Practicable Date, our business operations have not been disrupted due to the failure to complete the administrative filings.

Our Directors believe that the above defects in our leased properties in China will not have a material adverse effect on our business, financial condition and results of operations as (i) the relevant properties represent a minor portion of the total area of our properties; (ii) the relevant properties are not used for our key business operations and are not crucial to the operations of the Company; (iii) compared with similar properties in comparable neighborhood, there is no material difference in the rental expenses arising in connection with such defects, and (iv) we believe in the event that we are required to terminate our usage of these properties, *(x)* the replacement premises for these leased properties are readily available, *(y)* the estimated time and cost for relocation would not be material, and *(z)* our operations located at these properties could be relocated to new sites without material interruption to our business and our financial condition would not be materially affected. On this basis, our Directors are of the view that the defective properties individually and collectively are not crucial to our operations. Please also see the section headed “Risk Factors — Risks Relating to Our Business — Defects related to certain properties leased by us in China may materially and adversely affect our ability to use such properties.”

The following table sets out a summary of the properties, including land and buildings, leased by us which are considered material to our business:

Address and description of location	Use of property	Approximate gross floor area	Expiration of lease
		(square meters)	
PRC			
Henan	Agricultural	4,869,411	2028-2040
United States			
Lincoln, Nebraska	Industrial	31,346	2020

Properties under construction

As of the Latest Practicable Date, we had construction underway in 13 of our properties in the PRC with a projected total construction cost of approximately RMB5,729.8 million. Our PRC legal advisor has confirmed that, as of the Latest Practicable Date, we have obtained the relevant construction approvals and permits for all of these properties under construction in the PRC.

In the United States, Poland and Romania, we anticipate annual capital expenditures in the range of US$300 million to US$350 million over the next several years to upgrade facilities with new machinery and equipment in order to improve Smithfield's competitive cost structure and achieve cost efficiency in class operations. These expenditures are expected to be funded with cash flows from operations and/or borrowings under Smithfield's credit facilities.

PERMITS AND LICENSES

Our Directors, as advised by our PRC legal adviser, confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects and had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in China. Our material permits and licenses in China primarily include (i) for our packaged meat product operations, the National Certificate for Production of Industrial Products (全國工業產品生產許可證), (ii) for our slaughtering operations, the Certificate for Designated Facility for Live Hog Slaughtering (生豬定點屠宰證) and Certificate for Animal Epidemic Disease Prevention (動物防疫條件合格證), and (iii) for our hog production operations, the Certificate for Animal Epidemic Disease Prevention and Certificate for Production and Operation of Breeding Livestock and Poultry (種畜禽生產經營許可證). For more information about the laws and regulations that we are subject to in China, please see the section headed "Regulatory Overview" in this prospectus. Some of our material permits and licenses have a limited period of validity, such as three years for a National Certificate for Production of Industrial Products. Our legal compliance personnel in China are responsible for monitoring the validity status of our permits and licenses, and preparing timely applications for renewal of the relevant permits and licenses. We currently do not expect any material impediment in timely renewing our material permits and licenses as they expire, if applicable.

Our Directors, also confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant U.S. laws and regulations in all material respects and had obtained all material licenses, approvals and permits from relevant U.S. regulatory agencies for our operations in the U.S. Our material permits and licenses in the U.S. primarily include for (i) our packaged meat product and slaughtering operations, the federal-issued or state-issued National Pollutant Discharge Elimination System ("NPDES") permits, and (ii) our hog production operations, the relevant swine operating permits, or NPDES permits, as applicable, issued by the relevant state. Some of our material permits and licenses only have a limited valid period, such as five years for a NPDES permit, but which are routinely reissued. Our legal compliance personnel in the U.S. are responsible for monitoring the validity status of our permits and licenses, and prepare timely applications for renewal of the relevant permits and licenses. We currently do not expect any material impediment in timely renewing our material permits and licenses as they expire, if applicable.

LEGAL COMPLIANCE AND PROCEEDINGS

Legal Compliance and Proceedings in China

We have implemented legal compliance mechanisms in China to identify, control and limit the legal risks involved in our daily operations. Our legal compliance personnel manage the process of obtaining, updating and renewing the various permits and licenses required for our operations in China. They also review the contracts to be entered into by the Group in the PRC, and supervise the lawful execution and performance of the contracts. In the event of any dispute with third parties arising from our operations, our legal compliance personnel is responsible for handling such dispute.

In November 2010, Shuanghui Development and certain of its directors and members of senior management, including, but not limited to, Mr. Wan Long, our Chairman and Chief Executive Officer, Ms. Qiao Haili and Ms. Wang Yufen, both members of our senior management, received a public notice of criticism from the Shenzhen Stock Exchange, on account of certain delays of Shuanghui Development in making public announcements and complying with relevant shareholder approval procedures regarding certain historical shareholder transactions. The delay resulted from the relevant personnel's lack of precise understanding of the applicable PRC laws and timely communication with the relevant shareholders of Shuanghui Development. As advised by our legal adviser as to PRC laws, a public notice of criticism is less severe than public censure and is the least stringent disciplinary action that the Shenzhen Stock Exchange could take under the applicable PRC laws and regulations, reflecting the immateriality of the inadvertent delays. The relevant directors and senior management of Shuanghui Development were not considered unsuitable for continuing to serve in their respective capacities in relation to Shuanghui Development. Particularly, Mr. Wan Long, Ms. Qiao Haili and Ms. Wang Yufen continued to serve as the director or senior management of Shuanghui Development. Appropriate remedial measures were also adopted by Shuanghui Development to strengthen its corporate governance. The Directors confirm that there had been no similar delay by Shuanghui Development up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal or arbitration proceedings that we believe would have a material adverse impact on our financial condition or results of operations.

Legal Compliance and Proceedings in the U.S.

Like those of other participants in the industry, our U.S. operations are subject to various laws and regulations administered by U.S. federal, state and other government entities, including the EPA and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

From time to time, we receive notices and inquiries from regulatory authorities and others in regard to compliance with particular laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

Many of our U.S. operations facilities are subject to environmental permits and other regulatory requirements, violations of which are subject to civil and criminal sanction. In some cases, third parties may also have the right to sue to enforce compliance.

We use internationally recognized management systems to manage many of our regulatory programs. For example, we use the International Organization for Standardization ("ISO") 14001:2004 standard to manage and optimize our environmental performance, and were the first in the industry to achieve ISO 14001:2004 certification for our hog production and processing facilities. ISO guidelines require a long-term management plan integrating regular third-party audits, goal setting, corrective action, documentation and executive review. Our Environmental Management System ("EMS"), which conforms to the ISO 14001:2004 standard, addresses the significant environmental aspects of its operations, provides employee training programs and facilitates engagement with local communities and regulators. Most importantly, the EMS allows the collection, analysis and reporting of relevant environmental data to facilitate our compliance with applicable environmental laws and regulations.

Certain of our subsidiaries in the U.S. are parties to the environmental litigation matters discussed below. Apart from those matters listed below, certain of our subsidiaries in the U.S. are parties to various lawsuits arising in the ordinary course of business. In the opinion of management, any ultimate liability with respect to the ordinary course matters will not have a material adverse effect on the Group's financial position or results of operations.

Missouri Litigation

Certain nuisance suits were brought in Missouri against Premium Standard Farm, Inc., a wholly owned subsidiary of Smithfield which it acquired in 2007. The suits related to activities of Premium Standard Farm, Inc. both before and after the acquisition. Smithfield consummated a global settlement that resolved the vast majority of the outstanding litigation in 2012.

North Carolina Nuisance Dispute

In July, August and September 2013, 25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and its wholly owned subsidiary, Murphy-Brown. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim, and for a More Definite Statement in all 25 cases.

All 25 complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but not initiated any

formal legal process. The Company believes that it has strong defenses to the claims and intends to defend the suits vigorously. Because this a very preliminary matter, it is not possible to quantify what, if any, exposure to which this may lead. However, the Company believes that the resolution of these matters will not have a material adverse effect on the Group's financial position or operations.

Farmland Foods (Denison)

In November 2012, the Iowa Department of Natural Resources ("IDNR") initiated a civil enforcement action against Farmland Foods for exceeding certain effluent limitations contained in its wastewater pretreatment agreement in connection with operations at Farmland Foods' Denison, Iowa facility. IDNR and Farmland Foods have resolved the enforcement pursuant to a state administrative consent order entered in December 2013. Farmland Foods continues working on improvements to its Denison wastewater facility.

Legal Compliance and Proceedings in Our International Operations

Smithfield did not have any material legal or compliance proceedings or issues in its international operations in the Smithfield 2011, 2012 or 2013 Fiscal Years or the eight months ended December 29, 2013.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the accompanying notes included in the accountants' report set forth in Appendix IA to this prospectus and financial information of Smithfield set forth in Appendix IB to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS and those of Smithfield have been prepared in accordance with US GAAP. Potential investors should read the whole of the accountants' report and financial information of Smithfield set forth in Appendix IA and IB, respectively, and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production. We have number one market shares in China, the U.S. and key markets in Europe. We own Asia's largest animal protein company, Shuanghui Development, the U.S.'s largest pork company, Smithfield, and a 37% equity stake in the largest packaged meat company in Europe by sales, Campofrio. Pork consumption in markets where we have the leading position collectively accounts for over 60% of the world's total pork consumption in 2012. We are committed to providing consumers with high-quality, nutritious and tasty products through our portfolio of trusted and well-known brands and to driving consumption trends, while setting the highest industry standards in product quality and food safety.

Our unique, vertically integrated, global platform distinguishes us from our competitors. We are the undisputed leading pork company in China, which alone accounted for over half of global pork consumption in 2012 and is expected to represent over 80% of global pork consumption growth over the next five years, according to Frost & Sullivan. Smithfield, our wholly owned subsidiary, is the industry leader in U.S. pork production and is the world's largest pork exporter with compelling cost advantages. We are in a unique position to efficiently match supply with demand on a global basis and to benefit from the strong industry trends in China and the world's other fast-growing animal protein markets.

We also have the world's largest distribution network in the pork industry supported by our leading market share in pork products. In each of our key markets, our sales and distribution networks are among the largest in the industry, with an advanced logistics and cold chain network.

We recorded turnover in the amount of US$5,455 million, US$6,243 million and US$11,253 million in 2011, 2012 and 2013, respectively. Turnover from our packaged meats segment accounted for 57.4%, 58.3% and 55.2% of our turnover in 2011, 2012 and 2013, respectively. Turnover from our fresh pork segment accounted for 38.4%, 38.7% and 40.4% of our turnover in 2011, 2012 and 2013, respectively. Turnover from our hog production segment accounted for 0.2%, 0.3% and 1.7% of our turnover in 2011, 2012 and 2013, respectively.

In addition to our three main segments, we also generate turnover from certain other businesses which are ancillary to our primary business segments. In China, these mainly include manufacturing and sales of packaging materials, provision of logistics services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings and sales of biological pharmaceuticals. Turnover from others accounted for 4.0%, 2.7% and 2.7% of our turnover in 2011, 2012 and 2013, respectively.

We experienced signficant decreases in sales of our pork products in China in 2011 following certain media reports that hogs delivered to one of our processing plants in Henan Province had been fed feed ingredients containing clenbuterol hydrochloride. We closed the relevant plant for inspection for more than two months. Although, after extensive testing, no traces of clenbuterol hydrochloride were found in our products, we experienced decreased sales, with our operating results decreasing substantially from 2010 to 2011. Sales and operating results rebounded in 2012. In September 2013, we completed the Merger. The Merger has significantly expanded our scale of operations and we expect the Merger to have a significant impact on our results of operations and financial condition going forward.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our results of operations, including the factors discussed below, some of which are beyond our control:

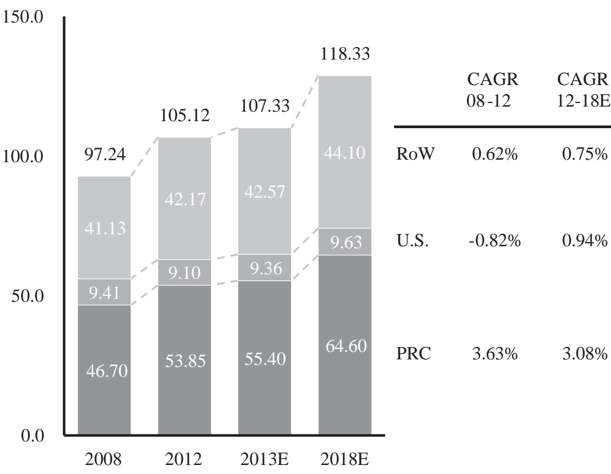
- changes in consumer demand and consumption patterns for our products and competing sources of protein;
- production capacity upgrades and expansion, capacity utilization and sales volume;
- product portfolio and our ability to optimize product mix;
- our ability to competitively price our products and maintain our leadership position in the competitive industry landscape;
- brand recognition and marketing success of our products;
- our major costs and expenses;
- synergies between our China, U.S. and international operations;
- changes in the fair value of our biological assets;
- fluctuations in commodity prices;
- recognition of expenses in relation to our share incentive schemes and Pre-IPO Share Option Scheme;
- seasonality;

- regulatory environment; and
- currency fluctuation effects on translation.

Changes in consumer demand and consumption patterns for our products and competing sources of protein

Our turnover has been and will continue to be substantially affected by changes in consumer demand and consumption patterns for our products as well as competing sources of protein, such as chicken, beef and seafood.

Global Pork Consumption by Volume (Million Metric Tons[1]), 2008-2018E



Source: U.S. Department of Agriculture (historical), Frost & Sullivan (projection)
Note: [1] Carcass weight equivalent.

Consumer demand and consumption patterns for our products and competing sources of protein are affected by, among other factors, consumer preferences and tastes, consumer perceptions of and confidence in the safety and quality of our pork products, pork products in general and competing protein products, consumer purchasing power, general and local economic conditions, urbanization rates and living standards. Our success largely depends on our ability to accurately identify and anticipate these factors and take them into account during our product planning process.

While China is already the world's largest pork consumption market and pork is the primary meat product consumed in China, we believe robust economic growth, continued urbanization, rising consumer awareness of food safety and changing lifestyles will result in increased consumption of pork and branded packaged meat products. We believe there is significant growth potential in China. According to Frost & Sullivan, per capita major animal protein consumption in China in 2012 was 53.91 kg per year, compared to 111.29 kg per year in the U.S. and 79.30 kg per year in the U.K. In 2012, per capita pork consumption in China was 39.77 kg per year, compared to 79.11 kg per year in Hong Kong. In the U.S., we expect the market will continue to enjoy steady improvement in macroeconomic conditions and consumers' purchasing power, which will in turn benefit the sales of our products. Outside of China and the U.S., we believe continued improvement in the global economic conditions will continue to benefit sales of our products and allow us to grow our international business.

Production capacity upgrades and expansion, capacity utilization and sales volume

Our results of operations have been and will continue to be affected by our ability to leverage our hog production capacity and expand our pork processing capacity to capture growing demand for pork products. In addition, we believe that the global pork industry will continue to consolidate, providing us with abundant opportunities to optimize our capacity and utilization.

As the quality and safety of food products are top priorities for us and our consumers, we have been investing in advanced production plants and equipment so that we can continue to supply stable, high quality and safe pork products consistently and maintain our leadership in the industry. Capital expenditures for land use rights and plant, machinery and equipment in our China operations amounted to US$349 million, US$167 million and US$261 million in 2011, 2012 and 2013, respectively. Smithfield's capital expenditures for plant, machinery and equipment amounted to US$176.8 million, US$290.7 million, US$278.0 million and US$153.6 million in Smithfield 2011, 2012 and 2013 Fiscal Years and the six months ended October 27, 2013, respectively.

Packaged meat production capacity in our China operations was 2.0 million metric tons, 2.1 million metric tons and 2.1 million metric tons as of December 31, 2011, 2012 and 2013, respectively. Production capacity for our slaughtering operation in China was 17.8 million heads, 17.8 million heads and 19.6 million heads as of December 31, 2011, 2012 and 2013, respectively. We completed the construction of fresh pork production facilities in Nanchang, Jiangxi Province in September 2011 and Zhengzhou, Henan Province in November 2011. We believe our capacity expansion, particularly the opening of facilities in certain new geographic regions, has enabled us to expand our market reach, better serve our customers, grow our sales significantly and reduce our logistics costs.

Another factor that will affect our results of operations is the utilization rate of our production facilities, which measures actual production output as compared to annual production capacity. For additional information, please see the section headed "Business — Production — Our Production Facilities". The utilization of our slaughtering operation facilities in our operations in China decreased from 66.6% in 2011 to 64.3% in 2012 and increased to 71.9% in 2013. Our packaged meat production utilization rate in our operations in China increased from 75.3% in 2011 to 77.3% in 2012 and further increased to 84.6% in 2013. A higher capacity utilization rate will result in lower marginal cost of each unit of products produced and will consequently result in higher profit margins.

Alongside expanding our production capacity, we expect the expansion of our sales channels — through greater geographic coverage, the expansion of our sales network, strengthened relationships with distributors and customers and increased penetration of our existing outlets — to improve our results of operations by increasing our sales volume, turnover and capacity utilization.

Product portfolio and our ability to optimize product mix

We have a vertically integrated business model. Our business encompasses feed production, hog breeding, production and sale of fresh pork and packaged meat products as well as other ancillary products and services such as packaging materials production, logistics and transportation services and retail grocery stores. We believe our vertically integrated business model enables us to ensure food safety and quality and improve profitability. Our vertically integrated business also allows us to provide diversified product offerings, enabling us to expand market share, increase production scale and achieve higher profit.

We offer an extensive range of pork products to our customers and are continuously expanding our product offerings. In China, for example, we had over 200 product series of packaged meat products as of the Latest Practicable Date. In each of the years ended December 31, 2011, 2012 and 2013, the sales volumes of our packaged meat products launched within the preceding two years contributed approximately 10% of the total sales volumes of our packaged meat products in China. Our mix of revenue among our business segments and among our product portfolio have affected and will continue to affect our financial performance as different products generate different per unit profit levels depending on factors such as the cost of raw materials, production costs, product pricing, branding and marketing strategies. In general, our packaged meat products tend to have higher per unit profit levels than our fresh pork products.

The tables below set forth our sales by reportable segment and as a percentage of net external sales for the periods indicated:

For the year ended December 31, 2011

	Packaged meats	% of total net external sales	Fresh pork	% of total net external sales	Hog production	% of total net external sales	Others and corporate	% of total net external sales	Total	% of total net external sales
	(US$'million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue . .	3,129	57.4%	2,515	46.1%	81	1.5%	371	6.8%	6,096	111.8%
Less: Inter-segment sales.	—	—	(420)	(7.7%)	(67)	(1.3%)	(154)	(2.8%)	(641)	(11.8%)
Net external sales . .	3,129	57.4%	2,095	38.4%	14	0.2%	217	4.0%	5,455	100.0%

For the year ended December 31, 2012

	Packaged meats	% of total net external sales	Fresh pork	% of total net external sales	Hog production	% of total net external sales	Others and corporate	% of total net external sales	Total	% of total net external sales
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue . .	3,639	58.3%	2,923	46.8%	79	1.3%	363	5.8%	7,004	112.2%
Less: Inter-segment sales	—	—	(504)	(8.1%)	(66)	(1.0%)	(191)	(3.1%)	(761)	(12.2%)
Net external sales . .	3,639	58.3%	2,419	38.7%	13	0.3%	172	2.7%	6,243	100.0%

For the year ended December 31, 2013

	Packaged meats	% of total net external sales	Fresh pork	% of total net external sales	Hog production	% of total net external sales	Others & corporate	% of total net external sales	Total	% of total net external sales
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue . .	4,074	55.0%	3,644	49.2%	82	1.1%	526	7.1%	8,326	112.4%
Less: Inter-segment sales.	—	—	(634)	(8.5%)	(66)	(0.9%)	(219)	(3.0%)	(919)	(12.4%)
Net external sales . .	4,074	55.0%	3,010	40.7%	16	0.2%	307	4.1%	7,407	100.0%
U.S.										
Segment revenue . .	1,969	57.4%	1,347	39.3%	889	25.9%	—	—	4,205	122.6%
Less: Inter-segment sales.	—	—	(60)	(1.7%)	(717)	(20.9%)	—	—	(777)	(22.6%)
Net external sales . .	1,969	57.4%	1,287	37.6%	172	5.0%	—	—	3,428	100.0%
Others[1]										
Segment revenue . .	180	43.1%	253	60.5%	156	37.3%	—	—	589	140.9%
Less: Inter-segment sales.	(11)	(2.7%)	(7)	(1.6%)	(153)	(36.6%)	—	—	(171)	(40.9%)
Net external sales . .	169	40.4%	246	58.9%	3	0.7%	—	—	418	100.0%
Total										
Segment revenue . .	6,223	55.3%	5,244	46.6%	1,127	10.0%	526	4.7%	13,120	116.6%
Less: Inter-segment sales.	(11)	(0.1%)	(701)	(6.2%)	(936)	(8.3%)	(219)	(2.0%)	(1,867)	(16.6%)
Net external sales . .	6,212	55.2%	4,543	40.4%	191	1.7%	307	2.7%	11,253	100.0%

Note:

(1) Others consists of revenue and sales generated from our international operations.

The tables below sets forth our reportable segment profit (loss) before biological fair value and as a percentage of reportable segment profit (loss) for the periods indicated.

	Packaged meats	% of total reportable segment profit (loss)	Fresh pork	% of total reportable segment profit (loss)	Hog production	% of total reportable segment profit (loss)	Others and corporate	% of total reportable segment profit (loss)	Total	% of total reportable segment profit (loss)
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
For the year ended December 31, 2011										
Reportable segment profit	212	83.5%	21	8.3%	19	7.5%	2	0.7%	254	100.0%
China										
For the year ended December 31, 2012										
Reportable segment profit (loss)	505	89.1%	63	11.1%	11	1.9%	(12)	(2.1%)	567	100.0%
For the year ended December 31, 2013										
China										
Reportable segment profit (loss)	678	89.0%	113	14.8%	7	0.9%	(36)	(4.7%)	762	100.0%
U.S.										
Reportable segment profit (loss)	79	76.0%	93	89.4%	(41)	(39.4%)	(27)	(26.0%)	104	100.0%
Others[1]										
Reportable segment profit (loss)	2	10.0%	(5)	(25.0%)	25	125.0%	(2)	(10.0%)	20	100.0%
Total										
Reportable segment profit (loss)	759	85.7%	201	22.6%	(9)	(1.0%)	(65)	(7.3%)	886	100.0%

Note:

(1) Others consists of profit generated from our international operations.

For additional information, please see Appendix IA to this prospectus.

In order to optimize our profitability, we expect to develop and increase our sales of products with higher per unit profit levels. As Chinese consumers continue to improve the quality of their diets and as disposable income levels rise, the packaged meat products market is expected to grow at a higher rate than the growth in overall pork consumption. In addition, within the packaged meats segment, we intend to continue introducing new premium products. We have adjusted and will continue to adjust our product mix in an effort to increase our profitability.

Our ability to competitively price our products and maintain our leadership position in the competitive industry landscape

Our ability to continue to price our products at desired levels has been, and will continue to be, important to our results of operations. We price our products differently depending on the product category. Generally, factors affecting our pricing include commodity prices, costs of production, the regional competitive landscape, our continued ability to differentiate our products from those of our competitors, our product positioning strategies, realization of price premium from brand value, competitors' pricing and other strategies.

Fresh pork products are generally priced based on the prevailing market rates in different regional markets. For example, fresh pork products in the U.S. are generally valued based on market prices published by the USDA after taking into account factors such as the quality of the pork and freight expenses. In China, during the Track Record Period, the average selling price of our fresh pork products peaked in the third quarter of 2011 as hog prices increased significantly due to a shortage in supply. In the U.S., during the Track Record Period, the average selling price of Smithfield's fresh pork products peaked in the third quarter of 2012, driven by the unprecedented drought that affected major corn production areas in the U.S. in 2012.

Packaged meat products prices, on the other hand, are less dependent on the prevailing market rates as they have a higher degree of differentiation. In general, while the price of packaged meat products will also fluctuate to a certain degree along with the prevailing market price of pork, it is generally more stable than that of fresh pork products.

The pork product industry is highly competitive and is characterized by frequent introductions of new products, high price sensitivity, changing consumer preferences and consumption patterns and customers' perceptions of product safety and quality. Our ability to maintain our leadership position within the industry will depend upon our ability to optimize our product mix, maintain the price of our products at desired levels, introduce new products tailored to changing consumer preferences, further promote our brands and expand our customer reach. We have much and will continue to make significant efforts to maintain and strengthen our leadership position in the global pork industry.

Brand recognition and marketing success of our products

Brand recognition is a key factor in consumers' purchasing decisions. We believe that our brand recognition has contributed significantly to the success of our business, and, therefore, maintaining and enhancing our brand-recognition is critical to our ability to differentiate our products, to compete effectively and to increase our margins. Our fresh pork and packaged meat products are marketed and sold under a diverse portfolio of leading brands in various regions of the world, including the "Shuanghui" (雙匯) brand in China, and our 12 core brands in the U.S., Smithfield, Farmland, John Morrell, Gwaltney, Armour, Eckrich, Margherita, Carando, Kretschmar, Cook's, Curly's and Healthy Ones. Our principal European brands include the Krakus, Morliny and Yano brands in Poland and the Comtim and Agroalim brands in Romania. We believe that our strong brand names and product quality have enabled us to build a high degree of brand loyalty among our consumers.

To improve brand recognition, we have invested and will continue to invest in marketing and advertising programs. For example, in China, we entered into a sponsorship program with the Chinese National Swimming Team in 2013. In the U.S., we entered into a partnership with Richard Petty Motorsports since 2012, a performance and marketing driven company operating two teams in competition in the NASCAR Sprint Cup Series.

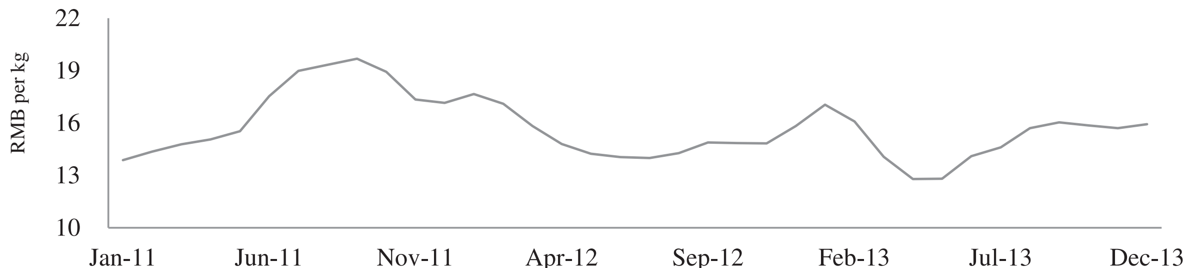
Our major costs and expenses

The following major components of our cost of sales and operating expenses affect our results of operations.

Supply and price of live hogs, meats and feed ingredients

Our primary raw materials are live hogs, meats and feed ingredients. In China, we source a majority of the live hogs used in our PRC operation from domestic hog suppliers, with our hog production segment in China supplying the remaining portion. The price and supply of live hogs are subject to a number of factors such as availability and costs associated with producing live hogs and associated costs such as feeds. In particular, the supply and price of live hogs are affected by, among other things, the price of feed ingredients, such as corn and soybeans that are used in feedstuffs, and the potential outbreak of diseases or infections in the live hog population.

Monthly Average Live Hog Price in China

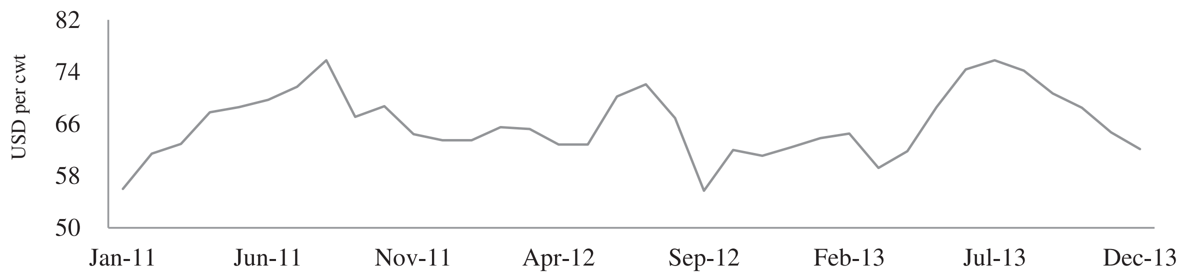


Source: PRC Ministry of Agriculture, Frost & Sullivan

In the U.S., Smithfield's fresh pork and packaged meat products segments purchased approximately 53% of all live hogs that it used in the U.S. from Smithfield's hog production segment in the Smithfield 2013 Fiscal Year. Feed grains, including corn, soybean meal and wheat, are the primary raw materials of our U.S. hog production operations. We generally purchase corn and soybean meal through forward purchase contracts in an effort to lock-in prices. Historically, grain prices have been subject to fluctuations in consumption demand, government policies and weather conditions in major farming regions. Live hogs are the primary raw material for the fresh pork and packaged meat products business. Historically, hog prices have been subject to substantial fluctuations. Hog supplies, and consequently prices, are affected by factors such as corn and soybean meal prices, weather and

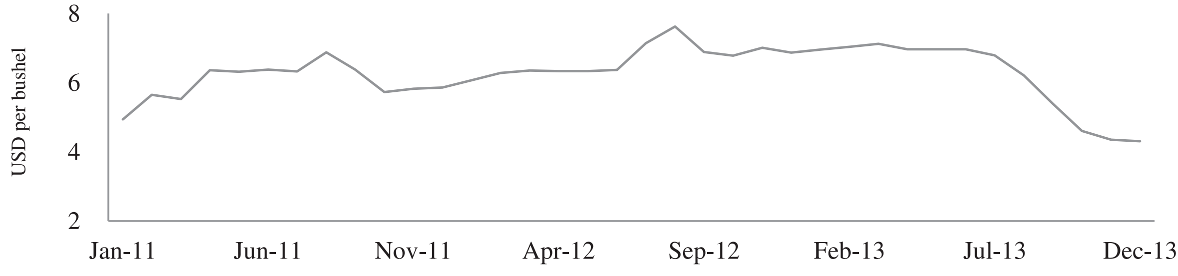
farmers' access to capital. Hog prices tend to rise seasonally as hog supplies decrease during the hot summer months and tend to decline as supplies increase during the fall. This tendency is due to lower farrowing performance during the winter months and slower animal growth rates during the hot summer months.

Monthly Live Hog Price in U.S.



Source: USDA

Monthly Corn Prices in U.S.



Source: USDA

With significant operations in both China and the U.S., we expect to be able to take advantage of the differences in costs structures between the two countries. For example, due to its abundance of agricultural resources, the cost of grain — and hence the cost of hog feed — in the U.S. is substantially lower than in China. Over the period from 2010 to 2012, according to Frost & Sullivan, the average corn price in the PRC was 1.52 times of the that in the U.S.

Our primary raw materials in our operations in China amounted to 70.2%, 71.7% and 69.2% of the cost of sales in our operations in China in 2011, 2012 and 2013, respectively.

Supply and price of other raw materials

In our China, U.S. and international operations, we also rely on the supply of other raw materials, such as food ingredients and packaging materials, the prices of which are subject to fluctuation due to market volatility and other factors. Such other raw materials and packaging costs in our operations in China amounted to 19.5%, 17.3% and 16.5% of turnover in our operations in China in 2011, 2012 and 2013, respectively.

Labor costs

We employ a large number of employees in our production processes. Although we endeavor to improve efficiency by acquiring new equipment and adopting advanced technologies in our production process, increases in labor costs are not within our control and may impact the results of our operations. Labor costs in our operations in China amounted to 4.1%, 3.7% and 4.6% of turnover in our operations in China in 2011, 2012 and 2013, respectively.

Finance costs

We finance a portion of our operations by various credit facilities, including an inventory revolver, a receivable securitization facility, term loans, senior notes and other bank borrowings. To facilitate the acquisition of Smithfield, we incurred additional indebtedness at both the Company and Smithfield levels. Finance costs amounted to 1.0%, 0.2% and 1.1% of turnover in 2011, 2012 and 2013, respectively.

See the section headed "— Indebtedness" for more information about our indebtedness.

A significant portion of our borrowings have floating interest rates. We will assess the various alternatives available in the capital markets and implement prudent strategies to hedge interest rate exposure. We will use the proceeds from the Global Offering to repay a substantial amount of our indebtedness. For more information, please see the section headed "— Future Plans and Use of Proceeds". We therefore expect our sensitivity to interest rate fluctuations to decline significantly after the Global Offering.

See the section headed "— Market and Other Financial Risks — Interest Rate Risk" for more details about our interest rate risk.

Synergies between our China, U.S. and international operations

We expect our acquisition of Smithfield to deliver significant synergies between our China, U.S. and international operations.

We plan to import into China safe, high-quality and cost competitive fresh pork from the U.S., which we believe will positively affect turnover and margins for our China operations. We also expect that a consistent and large source of demand from China for our U.S. fresh pork products will provide healthy turnover growth in our U.S. operations. Our China operations will continue to gain access to our U.S. and international operation's technical and food safety know-how and other operational best practices, which will further improve the efficiency of our China operations and achieve lower production costs. We plan to leverage our U.S. brands, raw materials and technology, our distribution and marketing capabilities in China and our combined strength in research and development to expand our range of American-style premium packaged meats products offerings in China to appeal to the palate of Chinese consumers demanding Western products, which we expect to positively affect our turnover and profitability.

Changes in the fair value of our biological assets

Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets, which are hogs. These fair value adjustments are made for our biological assets that remain on our balance sheet at period-end and at the time of slaughter for hogs slaughtered during the period, which will affect our cost of sales for future periods. Changes in the fair value arising from agricultural produce (that is, hog carcasses) at fair value less cost to sell at the point of harvest resulted in gains in the amount of US$35 million, US$21 million and US$17 million in our consolidated statements of profit or loss and other comprehensive income for 2011, 2012 and 2013, respectively. In addition, changes in the fair value less costs to sell of our biological assets at period end date resulted in our recognition of gains in the amount of US$7 million, US$6 million and US$47 million in our consolidated statements of profit or loss and other comprehensive income for 2011, 2012 and 2013, respectively. Please see the section headed "— Critical Accounting Policies and Estimates — Biological Assets" and "— Description of Selected Statement of Profit or Loss and other Comprehensive Income Items — Gain rising from agricultural produce at fair value less cost to sell at the point of harvest" and "— Gain arising from changes in fair value less cost to sell of biological assets". These fair value gains represent fair value changes of our live hogs less the costs to sell, due to changes in the physical attributes and market-determined prices of those assets. Since we use slaughtered hogs that were previously our biological assets as our raw materials, our cost of sales are also adjusted for changes in the fair value of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our costs of sales, although the timing of these adjustments are not necessarily the same as the related gains or losses. Our cost of sales in each period are adjusted to add (i) the change in the fair value of hogs less cost to sell at the point of harvest for hogs slaughtered during that period and (ii) the change in fair value less cost to sell of biological assets recognized in the previous periods. These adjustments increased our cost of sales by US$37 million, US$28 million and US$23 million in 2011, 2012 and 2013, respectively. The valuation of our biological assets depends on a number of parameters, related to, among other things, market prices of livestock of similar species, size and age. The fair value of our biological assets could be affected by, among other things, the quality of our live hogs, hog prices and changes in the hog industry. Fair value gains do not generate any cash inflow for our operations and, similarly, fair value losses do not result in any cash outflows of our operations. We expect that our results will continue to be affected by changes in the fair value of our live hogs, in particular due to our acquisition of Smithfield.

Fluctuations in commodity prices

We are exposed to market risks primarily from changes in commodity prices. To mitigate these risks, we utilize derivative instruments in the U.S. to hedge our exposure to fluctuations in commodity prices. In China, we are typically able to increase the prices of our products when commodity prices increase. In addition, we seek to accumulate inventories when commodity prices are low and use inventories when commodity prices are high. We also seek to accumulate inventories during low seasons and sell more products during high seasons. See the sections headed "Risk Factors — Risks Relating to Our Business — Our results of operations are substantially affected by cyclical fluctuations in the prices of hogs and fluctuations in the prices of grains and other commodities" and "— Market and Other Financial Risks — Market Risk" for more details about market risks relating to our commodity prices.

Recognition of expenses in relation to our share incentive schemes and Pre-IPO Share Option Scheme

Our results of operations have been and will continue to be affected by the recognition of expenses in relation to our share incentive schemes. We adopted the 2010 Share Award Plan in November 2010 and the 2013 Share Award Plan in October 2013. Under the 2010 Share Award Plan, we are authorized to award up to 631,580,000 Shares as incentive shares to any of our employees. Under the 2013 Share Award Plan, we are authorized to award up to 350,877,333 Shares as incentive shares to any of our employees, consultants, agents or advisors. In addition, on October 23, 2013, the Company allotted and issued 573,099,645 Shares to Sure Pass, a company wholly owned by Mr. Wan Long, representing approximately 4.9% of the Company's then-issued share capital on a fully diluted basis, and the Company allotted and issued 245,614,133 Shares to Rich Matrix, a company wholly owned by Mr. Yang Zhijun, representing approximately 2.1% of the Company's then-issued share capital on a fully diluted basis. We also adopted the Pre-IPO Share Option Scheme on January 21, 2014. While we did not recognize any expenses in relation to our share incentive schemes in 2011, we recognized expenses in the amount of US$42 million in 2012 and US$639 million in 2013.

The amount of these expenses is based on the fair value of the shares granted under our share award plans on the date of grant and we recognize expenses in our consolidated statements of profit or loss and other comprehensive income. As a result of these awards and potential future awards, we expect to continue to incur in future periods related expenses in relation to our share incentive schemes.

For additional information on our share award plans, please see the sections headed "Summary — Recent Developments — Pre-IPO Share Option Scheme and Awards," "History, Development and Corporate Structure — Our History — History of our PRC Business — Share Issuance and Transfer to Chang Yun," "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith" and "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme". For additional information on the valuation of shares granted under our share award plans, please see the section headed "— Critical Accounting Policies and Estimates — Share incentive schemes."

Seasonality

Our results of operations are subject to seasonal patterns.

On the demand side, consumer purchases of pork products in China usually peak during the periods before the major traditional Chinese festivals, such as the Chinese Lunar New Year, Mid-Autumn Festival and National Day. Our sales in the second half of the year are generally higher than those in the first half of the year in China. In the U.S. and international markets, the highest sales periods for hams are the holiday seasons such as Christmas, Easter and Thanksgiving, and the periods of highest sales for smoked sausages, hot dogs and luncheon meats are the summer months.

On the supply side, our China, U.S. and international hog production segments experience lower farrowing performance during the winter months and slower animal growth rates during the hot summer months, resulting in a decrease in hog supplies in the summer and an increase in hog supplies in the fall.

Accordingly, our results of operations fluctuate and our interim results may not be indicative of our annual results.

Regulatory environment

Changes in the regulatory environment in China, the U.S. and the EU may impact our financial performance. Our ability to anticipate and respond to potential changes in government policies and regulations, such as, among other things, tax policies, government regulations, environmental laws and regulations and their competitive implications, will have a significant effect on our future performance.

Currency fluctuation effects on translation

Our financial information is presented in U.S. dollars. In connection with the preparation of our financial information, the results of operations of the group subsidiaries, which are initially prepared in their respective local functional currencies, such as the Renminbi, Polish Zloty and Romanian Lei, are translated into U.S. dollars. Fluctuations in the value of these exchange rates impact our consolidated other comprehensive income and, depending on the magnitude of these fluctuations, could obscure underlying trends that would have been apparent if consolidated financial statements had been prepared on a constant currency basis. In our consolidated statements of comprehensive income for 2011, 2012 and 2013, we recognized foreign currency translation gains for foreign operations in the amount of US$89 million, US$4 million and US$143 million, respectively.

OUR MERGER WITH SMITHFIELD

On September 26, 2013, we completed our acquisition of the 100% equity interest in Smithfield. To finance the acquisition, we used the following sources of funds: (i) a drawdown of the Syndicated Term Loan, (ii) net proceeds from the issuance of the US$900 million aggregate principal amount of senior unsecured notes by Merger Sub on July 31, 2013, comprised of US$500 million aggregate principal amount of 5.250% senior notes due 2018 and US$400 million aggregate principal amount of 5.875% senior notes due 2021, (iii) drawings under certain existing loan and facility agreements of Smithfield and (iv) cash on hand at the Company.

In connection with the Merger, WH Group incurred US$132 million of legal and professional fees in 2013. These fees were recognized as other expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2013.

Our statement of profit and loss and other comprehensive income for the year ended December 31, 2013 includes the results of Smithfield from September 26, 2013 through the end of the year, and our consolidated statement of financial position as of December 31, 2013 reflects our Group inclusive of Smithfield. Given the substantial assets, liabilities and operations of Smithfield, our results for the year ended December 31, 2013 and our financial position as of December 31, 2013 differ substantially from the previous respective periods and dates.

For more information regarding the Merger, please see the section headed "History, Development and Corporate Structure — Our History — Our Acquisition of Smithfield by Way of Merger — Merger with Smithfield." For financial information regarding Smithfield, please see the section headed "Financial Information — Smithfield."

FINANCIAL CONSOLIDATION PROCESS

Our global headquarters is based in Hong Kong, overseeing our business operations in the PRC, the U.S. and other countries. We also have two regional headquarters. The regional headquarters in Luohe, Henan Province oversees our business operations in the PRC, while our regional headquarters in Smithfield, Virginia oversees our business operations in the U.S. and other international markets.

Our subsidiaries in the PRC submit major operating and financial data to our headquarters in Luohe, Henan Province ("**Luohe Headquarters**") through an enterprise resource planning ("**ERP**") software on daily basis. The subsidiaries upload monthly financial statements into the ERP software after the end of each month. Luohe Headquarters consolidate the submitted data and prepare summary daily report and consolidated monthly financial statements, which will then be distributed to and reviewed by our management in Luohe, Henan. Luohe Headquarters also send summary daily report and consolidated monthly financial statements via internet to our global headquarters in Hong Kong for further consolidation.

We use a financial reporting software at our regional headquarters in Smithfield, Virginia ("**Smithfield Headquarters**") to consolidate the financial information from our operations in the U.S. and other international markets on a monthly basis. After the end of each month, each of the subsidiaries in the U.S. and other international markets either submits financial data to Smithfield

Headquarters for uploading into the financial reporting software, or will upload financial data directly into the software via the Internet. After all financial data is uploaded into the financial reporting software and Smithfield Headquarters has made all balancing and closing entries, a monthly financial reporting package, including consolidated income statements, balance sheets and cash flow statements, is finalized and distributed to management at Smithfield Headquarters for review. After Smithfield was acquired by our Group on September 26, 2013, we had commenced implementing initiatives requiring our operations in the U.S. and other international markets to submit daily data and prepare summary daily report. Smithfield Headquarters have also commenced to send consolidated summary daily report and monthly financial reporting package to our global headquarters in Hong Kong.

After receiving daily and monthly data from Luohe Headquarters and Smithfield Headquarters, our global headquarters in Hong Kong will consolidate and prepare group daily report and monthly financials for review by our management in Hong Kong.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial information requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Critical accounting policies are the accounting policies that are the most important to the portrayal and understanding of our financial condition and/or results of operations and require the most difficult, subjective or complex judgments of our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our financial statements and because of the possibility that future events affecting the estimates may differ significantly from management’s current judgments.

The financial information set out in the Accountants’ Report per Appendix IA has been prepared in accordance with IFRS. Our principal accounting policies are set out in Note 3 of the Accountants’ Report per Appendix IA. IFRS requires that we adopt the accounting policies and make the estimates that our Directors believe are prudent and reasonable in the circumstances for the purposes of giving a true and fair view of our results and financial condition. However, different policies, estimates and assumptions in critical areas could lead to materially different results. We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements and that involve the most significant estimates and judgments.

Biological assets

Our biological assets consist of live hogs, which fall into four categories: suckling pigs, nursery hogs, finishing hogs and breeding stock. Our biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. If there is a change in fair value of the biological assets at the end of the period, such changes are charged to the profit or loss. The fair value less costs to sell is determined with reference to the market-determined prices, species,

growing conditions, cost incurred and the professional valuation. This determination involves the use of significant judgment. If the actual results differ with the original estimates made by our management, such differences from the original estimates will impact the fair value change recognized in profit or loss in the period in which the estimates change and in future periods.

The agricultural produce (that is, the hog carcass) harvested from our biological assets are measured at their fair value less costs to sell at the point of harvest (that is, when the hog is slaughtered). Such measurement is the cost at that date when applying IAS 2 *Inventories*. A gain or loss arising for the agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

See the section headed "— Valuation of Biological Assets" for more information on the valuation of our biological assets.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of goods is recognized when the goods are delivered and title has passed and all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In connection with our packaged meats segment, revenue is typically recognized when our packaged meats products are delivered to our customers. In connection with our fresh pork segment, revenue is typically recognized when our fresh pork is delivered to our customers.

Service income is recognized when services are provided.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income

from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term.

Hedges

We designate certain derivatives as hedges against our exposure in relation to changes in prices and rates of commodities such as corns and hogs.

At the inception of a hedging relationship, we document the relationship between the hedging instrument and the hedged item, along with our risk management objectives and our strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, we document whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other gains or losses' line item. Amounts previously recognized in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line as the recognized hedged item. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when we revoke the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity is recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

For further details about hedging activities, see the section headed "Business — Raw Materials and Suppliers, Hedging and Inventory" and "Financial Information — Smithfield — Derivative Financial Instruments."

Trade and bills receivables

Our trade and bills receivables primarily consist of trade receivables from customers and bank acceptance bills received in connection with the sale of goods. Trade and bills receivables are measured at amortized cost using the effective interest method less any identified impairment losses.

We make allowances for bad and doubtful debts based on an assessment of collectability, an aging analysis of the receivables and an estimation of future cash flows. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. In our China operations, most of our sales are made on a payment before delivery basis, although we grant certain selected customers, such as distribution agents with whom we have had long term business relationships and direct distributions to large customers such as hypermarkets, credit terms of 30 days or more. In our U.S. and international operations, most of our sales are made on varying credit terms dependent on the sales channel and customer. Because of our efforts to recover receivables, we are not generally subject to significant exposure for doubtful debts and the limited allowances we have made for doubtful debts reflects the success of our credit control in recent years. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, we would take provisions to the profit and loss account in the period in which such determination is made. We have not made any material adjustments to our estimates of impairments in connection with our trade and bills receivables during the Track Record Period.

Inventories

Our inventories include raw materials, work in progress and finished goods. Raw materials consist primarily of feed grains, pork, chicken and other meat-related raw materials, other food ingredients, packaging materials and consumables. Work in progress consists primarily of meat undergoing processing and related semi-finished packaging materials. Finished goods consist primarily of packaged meats and fresh pork intended for external sales.

Our inventories are stated at the lower of cost/the deemed cost for agriculture produce harvested from the biological assets (that is, hog carcasses) and net realizable value. The cost of inventories is computed using the weighted average method. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Management periodically reviews our inventories for slow moving inventory, obsolescence or declines in market value. This review requires management to estimate the net realizable value based upon assumptions about future demand and market conditions. If our estimate of net realizable value is below the cost of inventory, we record a write-down against the inventories for the difference between cost and net realizable value, which will result in a corresponding increase in our cost of sales. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. We had write-downs against inventories of US$9 million and

US$3 million as of December 31, 2011 and 2013, respectively. We reversed a write-down in the amount of US$5 million as of December 31, 2012. We have not made any material adjustments to our estimates of write-downs in connection with our inventories during the Track Record Period.

Depreciation of property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services or for administrative purposes (other than properties under construction), are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. Management assesses annually the residual values and the remaining useful lives of property, plant and equipment and if the assessed values differ from original estimates, these differences will affect depreciation charges in current period in which the difference is assessed as well as in future periods. We have not made any material adjustments to our estimates in connection with the depreciation of our property, plant and equipment during the Track Record Period.

Impairment of intangible assets

Our patents are intangible assets with finite useful lives that are carried at historical cost less accumulated amortization over their estimated useful lives of 10 to 20 years and less accumulated impairment losses. Management reviews these assets for impairment when events or circumstances indicate that their carrying values may not be recoverable.

Our trademarks and distribution network are intangible assets with indefinite useful lives that are carried at historical cost without amortization less accumulated impairment losses. Management measures these assets for impairment annually and when events or circumstances indicate that their carrying values may not be recoverable. The recoverable value of our trademarks is determined on the basis of fair value less costs to sell with reference to the present value of hypothetical royalty income from licensing the trademarks. The recoverable value of our distribution network is determined on the basis of fair value less costs to sell with reference to the estimated cost to recreate or reproduce the network.

We did not recognize any impairment losses with respect to intangible assets in 2011, 2012 or 2013.

Goodwill

We have recognized goodwill in connection with the acquisition of businesses. The goodwill on our consolidated statement of financial position resulted primarily from the acquisition of 100% of the equity interests of Smithfield in September 2013.

Goodwill arising in connection with an acquisition is carried at cost less any accumulated impairment losses. In determining whether goodwill is impaired, management estimates the

recoverable amount of the cash-generating unit to which the goodwill has been allocated. The recoverable amount of cash-generating units at the end of each reporting period is based on the value in use calculation which requires our management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Management determines the recoverable amounts of these units on the basis of fair value less costs to sell.

A cash generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in the reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. If the recoverable amount of the unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

We did not recognize any impairment losses with respect to goodwill in 2011, 2012 or 2013.

Share incentive schemes

Our Directors and shareholders adopted the 2010 Share Award Plan on November 26, 2010, which was amended on February 9, 2012, and the 2013 Share Award Plan on October 23, 2013, which was amended on December 23, 2013. In addition, on October 23, 2013, the Company allotted and issued 573,099,645 Shares, then representing approximately 4.9% of the Company's issued share capital on a fully diluted basis, to Sure Pass, a company wholly owned by Mr. Wan Long. At the same time, the Company allotted and issued 245,614,133 Shares, then representing approximately 2.1% of the Company's issued share capital on a fully diluted basis, to Rich Matrix, a company wholly owned by Mr. Yang Zhijun. For additional information on our share award plans, please see the sections headed "History, Development and Corporate Structure — Our History — History of our PRC Business — Share Issuance and Transfer to Chang Yun" and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith".

We measure the fair value of shares granted under our share award plans, and those shares alloted to Mr. Wan Long and Mr. Yang Zhijun as described in the paragraph above, on the date of grant. For grants of shares that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity

(other reserve). For the shares in relation to the 2010 Share Award Plan in December 2012 and the shares alloted to Mr. Wan Long and Mr. Yang Zhijun in October 2013, the estimated fair value of the incentive shares is mainly determined by using the market approach. The valuation methodology for the shares in relation to the 2010 Share Award Plan took into account the carrying value of the Company's assets and liabilities, which required judgments with respect to the appropriate discount for lack of marketability, or DLOM, of the shares of Shuanghui Development, control premium, minority discount and other factors. At the end of the reporting period, the Group revises its estimates of the number of granted shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

DESCRIPTION OF SELECTED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Turnover

Turnover represents income from the sale of goods and provision of services to outside customers, net of sales tax. Turnover amounted to US$5,455 million, US$6,243 million and US$11,253 million in 2011, 2012 and 2013, respectively.

Packaged meats

Turnover from packaged meats represents sales of packaged meat products and amounted to US$3,129 million, US$3,639 million and US$6,212 million in 2011, 2012 and 2013, respectively.

Fresh pork

Turnover from fresh pork represents sales of fresh pork and amounted to US$2,095 million, US$2,419 million and US$4,543 million in 2011, 2012 and 2013, respectively.

Hog production

Turnover from hog production primarily includes sales of live hogs and amounted to US$14 million, US$13 million and US$191 million in 2011, 2012 and 2013, respectively.

Others

Turnover from others primarily represents sales of ancillary products and services such as the provision of logistics services, sales of flavoring ingredients, external sales of internally-produced packaging materials, imported meat sales, sales made by our retail grocery stores and sales of biological pharmaceutical materials. Turnover from others amounted to US$217 million, US$172 million and US$307 million in 2011, 2012 and 2013, respectively.

Cost of sales

Cost of sales consists primarily of the cost of raw materials and production costs. Cost of raw materials primarily include feed grains, live hogs, other meat-related raw materials, other food ingredients and cost of packaging materials. Production costs primarily include labor costs, employee benefit expenses, various insurance expenses, fuel and power costs, rental fees for cold storage warehouses, depreciation on property, plant and equipment that is used in our production and consumable materials. The table belows sets forth our cost of sales in our operations in China for the periods indicated.

	Year ended December 31,		
	2011	2012	2013
	(US$ million)		
Primary raw materials	3,439	3,778	4,255
Packaging materials	608	617	694
Other raw materials	455	461	519
Labor-related costs	222	231	342
Others	141	157	316
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest	37	28	24
Total	4,902	5,272	6,150

Cost of sales in our operations in China amounted to US$4,902 million, US$5,272 million and US$6,150 million in 2011, 2012 and 2013, respectively. The increase in our cost of sales during the Track Record Period was due primarily to the increase in the costs of our primary raw materials in connection with the increase in our sales.

The following sensitivity analysis illustrates the impact of hypothetical changes in the costs of live hogs on our profit for the year during the Track Record Period.

For the year ended December 31, 2011

% Change in price of live hogs	5.0%	4.0%	3.0%	2.0%	1.0%	(1.0%)	(2.0%)	(3.0%)	(4.0%)	(5.0%)
Corresponding profit for the year (US$ million)	70	94	117	141	164	212	235	259	282	306
% Change in profit for the year	(62.6%)	(50.1%)	(37.5%)	(25.0%)	(12.5%)	12.5%	25.0%	37.5%	50.1%	62.6%

For the year ended December 31, 2012

% Change in price of live hogs	5.0%	4.0%	3.0%	2.0%	1.0%	(1.0%)	(2.0%)	(3.0%)	(4.0%)	(5.0%)
Corresponding profit for the year (US$ million)	344	369	394	418	443	493	518	542	567	592
% Change in profit for the year	(26.5%)	(21.2%)	(15.9%)	(10.6%)	(5.3%)	5.3%	10.6%	15.9%	21.2%	26.5%

For the year ended December 31, 2013

% Change in price of live hogs .	5.0%	4.0%	3.0%	2.0%	1.0%	(1.0%)	(2.0%)	(3.0%)	(4.0%)	(5.0%)
Corresponding profit for the year (US$ million).	(207)	(179)	(151)	(123)	(95)	(39)	(11)	17	45	73

Note:

The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of our live hogs and does not reflect changes in the biological fair value adjustments or turnover from our hog production segment.

Gross profit and gross profit margin

Gross profit represents our turnover less cost of sales. Gross profit margin represents gross profit as a percentage of turnover. Gross profit amounted to US$553 million, US$971 million and US$1,773 million in 2011, 2012 and 2013, respectively. Gross profit margin amounted to 10.1%, 15.6% and 15.8% in 2011, 2012 and 2013, respectively.

Distribution and selling expenses

Distribution and selling expenses consist primarily of salaries and benefits of sales and marketing personnel, promotion and advertising expenses, freight expenses incurred in delivering goods to customers and intermediaries and rental fees for storage facilities and sales offices. Distribution and selling expenses amounted to US$198 million, US$224 million and US$539 million in 2011, 2012 and 2013, respectively.

Administrative expenses

Administrative expenses consist primarily of staff compensation for administrative staff and management, maintenance expenses, expense-related tax expenses, depreciation and amortization expenses, custody rental fees, consumable materials, business travel expenses and share-incentives compensation expenses. Administrative expenses amounted to US$158 million, US$188 million and US$335 million in 2011, 2012 and 2013, respectively.

Gain arising from agricultural produce at fair value less cost to sell at the point of harvest

For our hogs that are slaughtered during the period, we recognize gains or losses equal to the change in the fair value of these hogs, less costs to sell at the time of slaughter. These gains amounted to US$35 million, US$21 million and US$17 million in 2011, 2012 and 2013, respectively.

Gain arising from changes in fair value less cost to sell of biological assets

For hogs that remain as our biological assets as of the end of each reporting period, we recognize gains or loss equal to the changes in the fair value of these hogs, less costs to sell. These gains amounted to US$7 million, US$6 million and US$47 million in 2011, 2012 and 2013, respectively.

Other income

Other income consists mainly of government subsidies, net income generated from the resale of externally-sourced raw materials to third parties, franchise fees and interest income on bank deposits. Other income amounted to US$90 million, US$73 million and US$84 million in 2011, 2012 and 2013, respectively.

Other gains and losses

Other gains and losses include gains from disposals of available-for-sale investments, and net foreign exchange gains/losses. Other gains amounted to less than US$1 million, US$5 million and US$19 million in 2011, 2012 and 2013, respectively.

Other expenses

Other expenses include social and charitable donations, losses resulting from extraordinary events and, in 2013, expenses in relation to our acquisition of Smithfield, share-based payment expenses and expenses related to the Global Offering. Other expenses amounted to US$15 million, US$50 million and US$787 million in 2011, 2012 and 2013, respectively.

Finance costs

Finance costs consist primarily of interest on bank and other borrowings less amounts capitalized in the cost of qualifying assets. Following our acquisition of Smithfield, finance costs also consist of interest on Smithfield's borrowings, including an inventory revolver, senior unsecured notes, a securitization facility and other borrowings; see the section headed "— Indebtedness — Borrowings". Finance costs amounted to US$57 million, US$15 million and US$120 million in 2011, 2012 and 2013, respectively.

Share of profit of associates

Share of profit of associates reflects our proportion of the net profit in our invested associates. Share of profit of associates amounted to US$2 million, US$3 million and US$6 million in 2011, 2012 and 2013, respectively.

Share of losses of joint ventures

Share of losses of joint ventures reflects our proportion of the net losses in our joint ventures. Share of losses of joint ventures amounted to US$3 million in 2013.

Taxation

Taxation represents the sum of tax currently payable and deferred tax. We recognize taxation at the applicable statutory rate in accordance with the jurisdiction in which the Company and our subsidiaries are located as adjusted for certain items including accumulated losses carried forward,

non-deductible expenses, certain tax holidays and changes in our deferred tax assets and liabilities. Our taxation amounted to US$71 million, US$134 million and US$229 million in 2011, 2012 and 2013, respectively. Our effective income tax rate, which represents taxation as a percentage of our profit before taxation, was 27.3%, 22.3% and 141.4% in 2011, 2012 and 2013, respectively.

During the Track Record Period and up to the Latest Practicable Date, we have paid all applicable taxes when due and there are no matters in dispute or unresolved with any tax authorities.

Cayman Islands tax

Under the current Cayman Islands laws, we are not subject to income or capital gains tax. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands.

Hong Kong tax

Rotary Vortex, our subsidiary incorporated in Hong Kong, did not have assessable profits subject to Hong Kong tax during the Track Record Period.

PRC tax

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. In March 2007, the National People's Congress adopted the new EIT Law, which became effective as of January 1, 2008. Under the new EIT Law, the enterprise income tax rate for domestic and foreign enterprises is unified at 25%.

According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui 2008 No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various subsidiaries of the Company in primary processing for agriculture products are exempted from EIT.

Pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from various subsidiaries of the Company engaging in projects of animal-husbandry and poultry feeding are entitled to exemption from EIT during 2011, 2012 and 2013.

Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, various subsidiaries of the Company are entitled to a preferential income tax rate of 15% during 2011, 2012 and 2013.

According to the Implementation Regulation of the EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han 2009 No. 203), high-and-new-technology enterprises are levied enterprise income tax at 15%. Various subsidiaries of the Company are entitled to enjoy a preferential income tax rate at 15% during 2011, 2012 and 2013.

Other miscellaneous PRC taxes primarily consist of property tax, land use tax and stamp tax which are accounted for in our administrative expenses and education surcharge and city maintenance and construction tax expenses are netted off against turnover.

United States tax

Our U.S. subsidiaries were subject to U.S. federal income tax at the rate of 35% and to various U.S. state income taxes at rates ranging from 1% to 12%.

Poland tax

Our Poland subsidiaries were subject to tax at the statutory income tax rate of 19%.

Romania tax

Our Romania subsidiaries were subject to tax at the statutory income tax rate of 16%.

Other comprehensive income for the year arising on translation to presentation currency that will not be reclassified subsequently to profit or loss

Other comprehensive income for the year arising on translation to presentation currency that will not be reclassified subsequently to profit or loss represents assets and liabilities denominated in foreign currencies primarily from our operations in China, Poland and Romania, translated into our presentation currency of U.S. dollars when preparing our consolidated financial statements.

Non-controlling interests

Non-controlling interests represent minority interests in certain of our subsidiaries and consist primarily of the public shareholdings in Shuanghui Development and minority shareholdings in our logistics business group.

RESULTS OF OUR OPERATIONS

The table below sets forth, for the periods indicated, selected financial data derived from our consolidated statement of profit or loss and other comprehensive income, the details of which are set forth in the Accountants' Report in Appendix IA, as applicable.

	Year ended December 31,								
	2011			2012			2013		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
					(US$ million)				
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Turnover	5,455	—	5,455	6,243	—	6,243	11,253	—	11,253
Cost of sales	(4,865)	(37)	(4,902)	(5,244)	(28)	(5,272)	(9,457)	(23)	(9,480)
Gross profit	590	(37)	553	999	(28)	971	1,796	(23)	1,773
Distribution and selling expenses	(198)	—	(198)	(224)	—	(224)	(539)	—	(539)
Administrative expenses	(158)	—	(158)	(188)	—	(188)	(335)	—	(335)
Gain arising from agricultural produce at fair value less cost to sell at the point of harvest	—	35	35	—	21	21	—	17	17
Gain arising from changes in fair value less cost to sell of biological assets	—	7	7	—	6	6	—	47	47
Other income	90	—	90	73	—	73	84	—	84
Other gains and losses	—+	—	—+	5	—	5	19	—	19
Other expenses	(15)	—	(15)	(50)	—	(50)	(787)	—	(787)
Finance costs	(57)	—	(57)	(15)	—	(15)	(120)	—	(120)
Share of profits of associates	2	—	2	3	—	3	6	—	6
Share of losses of joint ventures	—	—	—	—	—	—	(3)	—	(3)
Profit before taxation	254	5	259	603	(1)	602	121	41	162
Taxation	(71)	—	(71)	(134)	—	(134)	(214)	(15)	(229)
Profit (loss) for the year	183	5	188	469	(1)	468	(93)	26	(67)*

+ *Less than US$1 million*

* We had a net loss for the year ended December 31, 2013 primarily as a result of our share-based payment expenses in the amount of US$639 million and legal and professional fees in the amount of US$132 million in connection with our acquisition of Smithfield.

	Year ended December 31,								
	2011			2012			2013		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
					(US$ million)				
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Other comprehensive income (expense) for the year									
Items that will not be reclassified to profit or loss:									
- exchange differences arising on translation			89			4			52
- actuarial gain on defined benefit pension plans			—			—			18
			89			4			70
Items that may be reclassified subsequently to profit or loss:									
- exchange differences arising on translation			—			—			91
- fair value change in cash flow hedge			—			—			(5)
			—			—			86
Total comprehensive income for the year			277			472			89
Profit (loss) for the year attributable to:									
- owners of the Company			129			325			(263)
- non-controlling interests			59			143			196
			188			468			(67)
Total comprehensive income (expenses) for the year attributable to:									
- owners of the Company			192			328			(143)
- non-controlling interests			85			144			232
			277			472			89
Earnings (loss) per share									
- Basic (US$ cents)			1.30			3.28			(2.62)

COMPARISON OF CONSOLIDATED FINANCIAL INFORMATION OF OUR OPERATIONS

For the years ended December 31, 2013 and 2012

Turnover

The table below sets forth the turnover attributable to our major business segments and the percentage of total turnover that these amounts represent for the years ended December 31, 2012 and 2013.

	Year ended December 31,			
	2012		2013	
	Turnover	Percentage of Total Turnover	Turnover	Percentage of Total Turnover
	(US$ million, except percentages)			
Packaged meats	3,639	58.3%	6,212	55.2%
Fresh pork	2,419	38.7%	4,543	40.4%
Hog production	13	0.3%	191	1.7%
Others[(1)]	172	2.7%	307	2.7%
Total	**6,243**	**100.0%**	**11,253**	**100.0%**

Notes:

(1) Others primarily includes turnover from sales of ancillary products and services such as provision of logistics services, sales of flavoring ingredients, external sales of internally-produced packaging materials, imported meat sales, sales made by our retail grocery stores and sales of biological pharmaceutical materials.

Our total turnover increased by 80.2% from US$6,243 million in 2012 to US$11,253 million in 2013, due primarily to increases in sales volumes for both the packaged meats and fresh pork segments. Smithfield contributed US$3,846 million to our turnover in 2013.

Packaged meats

Packaged meats turnover increased by 70.7% from US$3,639 million in 2012 to US$6,212 million in 2013. Smithfield contributed US$2,138 million to our packaged meats turnover in 2013. The US$435 million increase in packaged meats turnover in our operations in China was due primarily to increases in sales volume. Our sales volume of packaged meats in our China operations increased by 6.3% from 1.6 million metric tons in 2012 to 1.7 million metric tons in 2013, primarily as a result of the expansion of our distribution network and the introduction of new premium products.

Fresh pork

Fresh pork turnover increased by 87.8% from US$2,419 million in 2012 to US$4,543 million in 2013. Smithfield contributed US$1,533 million to our fresh pork turnover in 2013. The US$591 million increase in fresh pork turnover in our operations in China was due primarily to an increase in our sales volume. Our sales volume of fresh pork in our operations in China increased 11.1% from 0.9 million metric tons in 2012 to 1.0 million metric tons in 2013, primarily as a result of the increase in our production capacity, the expansion of our distribution network and our increased marketing efforts. Our selling prices for fresh pork in China, which are adjusted in accordance with fluctuations in the market price, increased slightly in 2013 compared to 2012.

Hog production

Turnover from hog production increased from US$13 million in 2012 to US$191 million in 2013. The significant increase in turnover from hog production was due primarily to our acquisition of Smithfield. Smithfield contributed US$175 million to our hog production turnover in 2013.

Others

Turnover from others increased from US$172 million in 2012 to US$307 million in 2013 primarily as a result of the increase in our provisions of logistic services and increased sales of imported meats.

Cost of sales

Our cost of sales increased by 79.8% from US$5,272 million in 2012 to US$9,480 million in 2013. Smithfield contributed US$3,330 million to our cost of sales in 2013. The US$878 million increase in our cost of sales in our operations in China was due primarily to a 12.6% increase in raw material costs. The 12.6% increase in raw material costs in China was primarily in connection with the increase in our sales. However, cost of sales as a percentage of turnover decreased slightly from 84.4% in 2012 to 84.2% in 2013. Excluding the contributions to cost of sales and turnover from Smithfield, cost of sales as a percentage of turnover in our operations in China decreased to 83.0% in 2013, due primarily to a decrease in per unit raw materials cost in 2013.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 82.6% from US$971 million in 2012 to US$1,773 million in 2013, and our gross profit margin increased slightly from 15.6% in 2012 to 15.8% in 2013.

Distribution and selling expenses

Our distribution and selling expenses increased by 140.6% from US$224 million in 2012 to US$539 million in 2013. Smithfield contributed US$309 million to our distribution and selling expenses in 2013. The US$6 million increase in our distribution and selling expenses in our operations in China was primarily due to increases in: (i) salaries and benefits for our sales-related staff, as we

increased our sales-related personnel in connection with the increase in our sales volume; (ii) freight expenses, as a result of an increase in our sales volume; and (iii) marketing expenses incurred in connection with the expansion of our business operations. Distribution and selling expenses as a percentage of turnover increased from 3.6% in 2012 to 4.8% in 2013. Excluding the contributions to distribution and selling expenses and turnover from Smithfield, distribution and selling expenses as a percentage of turnover in our operations in China was 3.1% in 2013.

Administrative expenses

Our administrative expenses increased by 78.2% from US$188 million in 2012 to US$335 million in 2013, Smithfield contributed US$131 million to our administrative expenses in 2013. Administrative expenses as a percentage of turnover remained at 3.0% in 2012 and 2013. Excluding the contributions to administrative expenses and turnover from Smithfield, administrative expenses as a percentage of turnover in our China operations was 2.8% in 2013.

Gain arising from agricultural produce at fair value less cost to sell at the point of harvest

Gain arising from agricultural produce at fair value less cost to sell at the point of harvest for our hogs slaughtered over the period decreased by 19.0% from US$21 million in 2012 to US$17 million in 2013 primarily due to changes in market conditions.

Gain arising from changes in fair value less costs to sell of biological assets

Gain arising from changes in fair value less costs to sell of biological assets increased from US$6 million in 2012 to US$47 million in 2013 primarily as a result of the increase in the price of live hogs at the time of valuation as well as due to our acquisition of Smithfield.

Other income

Our other income increased by 15.1% from US$73 million in 2012 to US$84 million in 2013. Smithfield contributed US$9 million to our other income in 2013. The US$2 million increase in other income in our operations in China was due primarily to an increase in interest income in relation to the increase in our average bank balances. This was partially offset by a decline in our re-sales of packaging materials to third parties as we used larger quantities of packaging materials internally for our increased production of packaged meats in 2013.

Other gains and losses

Other gains amounted to a gain of US$19 million in 2013 compared to US$5 million in 2012. This increase was due primarily to an increase in our gains on maturity of available-for-sale investments and foreign exchange gains in connection with the Syndicated Term Loan, which is denominated in U.S. dollars, as the Renminbi appreciated against the U.S. dollar.

Other expenses

Other expenses were US$50 million in 2012 and US$787 million in 2013. Other expenses of US$787 million in 2013 primarily reflected expenses in connection with our acquisition of Smithfield, which consisted of share-based payments in the amount of US$639 million and legal and professional fees in the amount of US$132 million. US$597 million of the share-based payments represent expenses for the shares allotted and issued to Sure Pass, a company wholly owned by Mr. Wan Long, and Rich Matrix, a company wholly owned by Mr. Yang Zhijun.

Finance costs

Our finance costs increased from US$15 million in 2012 to US$120 million in 2013. The increase was primarily due to the increase in our borrowings as well as due to our acquisition of Smithfield. We incurred borrowings in connection with our acquisition of Smithfield. In addition, Smithfield contributed US$45 million to our finance costs in 2013.

Share of profits of associates

Share of profits of associates increased from US$3 million in 2012 to US$6 million in 2013 as a result of the increase in the profit of our associates.

Share of losses of joint ventures

We had US$3 million in share of losses of joint ventures in 2013 as a result of the losses of our joint ventures. We acquired interests in two major joint ventures in Mexico and one in the United States upon our acquisition of Smithfield.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by 73.1% from US$602 million in 2012 to US$162 million in 2013, while our profit before taxation margin decreased from 9.6% in 2012 to 1.4% in 2013.

Taxation

Our taxation increased by 70.9% from US$134 million in 2012 to US$229 million in 2013, primarily due to the increase in our profit before taxation in our operations in China. Our effective tax rate was 22.3% in 2012 and 141.4% in 2013. The significant increase in our effective tax rate was due primarily to share-based expenses and acquisition-related expenses that were not tax-deductible.

Profit (loss) for the year

As a result of the foregoing, we had a loss for the year in the amount of US$67 million in 2013 compared to a profit for the year in the amount of US$468 million in 2012.

Other comprehensive income

We recognized other comprehensive income in the amount of US$156 million in 2013 compared to US$4 million in 2012. This increase was due to the appreciation in the value of the Renminbi relative to the U.S. dollar as of December 31, 2013 compared to December 31, 2012, which affects translations from Renminbi, the functional currency of our China-based subsidiaries, to U.S. dollars, our presentation currency.

Total comprehensive income

As a result of the foregoing, our total comprehensive income decreased by 81.1% from US$472 million in 2012 to US$89 million in 2013, and our total comprehensive income margin decreased from 7.6% in 2012 to 0.8% in 2013.

Non-controlling interests

Total comprehensive income for the period attributable to non-controlling interests increased by 61.1% from US$144 million in 2012 to US$232 million in 2013, due primarily to the increase in profit from our subsidiaries in China and changes to the equity interests of our subsidiaries in China following the asset swap between Shuanghui Group and Shuanghui Development. See the section headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Increase of Our Interests in Shuanghui Development."

For the years ended December 31, 2012 and 2011

Turnover

The table below sets forth the turnover attributable to our major business segments and the percentage of total turnover that these amounts represent for the years ended December 31, 2011 and 2012.

	Year ended December 31,			
	2011		2012	
	Turnover	Percentage of Total Turnover	Turnover	Percentage of Total Turnover
	(US$ million, except percentages)			
Packaged meats	3,129	57.4%	3,639	58.3%
Fresh pork	2,095	38.4%	2,419	38.7%
Hog production	14	0.2%	13	0.3%
Others[(1)]	217	4.0%	172	2.7%
Total	**5,455**	**100.0%**	**6,243**	**100.0%**

Note:

(1) Others primarily includes turnover from sales of ancillary products and services such as provision of logistics services, sales of flavoring ingredients, external sales of internally-produced packaging materials, imported meat sales, sales made by our retail grocery stores and sales of biological pharmaceutical materials.

Our total turnover increased by 14.4% from US$5,455 million in 2011 to US$6,243 million in 2012, due primarily to increases in sales volumes for both the packaged meats and fresh pork segments. Sales for our products was lower in 2011 following certain media reports that some hogs delivered to one of our processing plants in Henan Province had been raised on feed materials containing clenbuterol hydrochloride.

Packaged meats

Packaged meats turnover increased by 16.3% from US$3,129 million in 2011 to US$3,639 million in 2012, due to increases in both sales volume and selling prices. Our sales volume of packaged meats increased by 14.3% from 1.4 million metric tons in 2011 to 1.6 million metric tons in 2012, primarily as a result of recovery from the lower sales volume following certain media reports that some hogs delivered to one of our processing plants in Henan Province had been raised on feed materials containing clenbuterol hydrochloride, but also due to expansion of our distribution network. Meanwhile, we also introduced new premium products, which led to an increase in average selling prices in general in 2012.

Fresh pork

Fresh pork turnover increased by 15.5% from US$2,095 million in 2011 to US$2,419 million in 2012, due primarily to the strong rebound in demand for our fresh pork. Our sales volume of fresh pork increased 28.6% from 0.7 million metric tons in 2011 to 0.9 million metric tons in 2012, primarily as a result of our recovery from the lower sales volume following certain media reports that some hogs delivered to one of our processing plants in Henan Province had been raised on feed materials containing clenbuterol hydrochloride, while selling prices decreased primarily as a result of a decrease in the price of live hogs in China in 2012.

Hog production

Turnover from hog production decreased slightly by 7.1% from US$14 million in 2011 to US$13 million in 2012.

Others

Turnover from others decreased by 20.7% from US$217 million in 2011 to US$172 million in 2012 primarily as a result of a decrease in the sale of imported meat, a decrease in our provision of logistics services and a decrease in the external sale of internally-produced packaging materials.

Cost of sales

Our cost of sales increased by 7.5% from US$4,902 million in 2011 to US$5,272 million in 2012, primarily as a result of a 9.8% increase in our raw material costs. The 9.8% increase in raw material costs was primarily a result of the increase in our sales in 2012. However, cost of sales as a percentage of turnover decreased from 89.9% in 2011 to 84.4% in 2012, due to a decrease in per unit raw materials cost of our live hogs and other meats and the increase in economies of scale as our sales volumes increased in 2012.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 75.6% from US$553 million in 2011 to US$971 million in 2012, and our gross profit margin increased from 10.1% to 15.6%.

Distribution and selling expenses

Our distribution and selling expenses increased by 13.1% from US$198 million in 2011 to US$224 million in 2012, primarily due to increases in: (i) freight expenses as a result of an increase in our sales volume; (ii) distributor fees due to the increase in our sales and (iii) salaries and benefits for our sales-related staff, as we increased our sales-related personnel in connection with the increase in our sales volume. These increases were offset in part by a decrease in our advertising and promotional expenses. Distribution and selling expenses as a percentage of turnover remained stable at 3.6% in both 2011 and 2012.

Administrative expenses

Our administrative expenses increased by 19.0% from US$158 million in 2011 to US$188 million in 2012, while administrative expenses as a percentage of turnover remained relatively stable, moving from 2.9% in 2011 to 3.0% in 2012.

Gain arising from agricultural produce at fair value less cost to sell at the point of harvest

Gain arising from agricultural produce at fair value less cost to sell at the point of harvest for our hogs slaughtered over the period decreased from US$35 million in 2011 to US$21 million in 2012 primarily due to changes in the price of live hogs.

Gain arising from change in fair value less cost to sell of biological assets

Gain arising from change in fair value less cost to sell of biological assets decreased by 14.3% from US$7 million in 2011 to US$6 million in 2012 primarily as a result of the decrease in the price of live hogs as at December 31, 2012 compared with December 31, 2011.

Other income

Our other income decreased by 18.9% from US$90 million in 2011 to US$73 million in 2012, due primarily to a decline in our re-sales of packaging materials to third parties as we used larger quantities of packaging materials internally for our increased production of packaged meats in 2012 and a decrease in interest income due primarily to a decrease in our average bank balances. These decreases were partially offset by an increase in government subsidies, as the scale of our operations increased.

Other gains and losses

We recognized net gains of US$5 million in 2012 compared to net gains of less than US$1 million in 2011 primarily due to a gain on maturity of available-for-sale investments in the amount of US$4 million in 2012.

Other expenses

Other expenses increased by 233.3% from US$15 million in 2011 to US$50 million in 2012 due primarily to share-based payment expenses recognized in 2012 in relation to the 2010 Share Award Plan.

Finance costs

Our finance costs decreased by 73.7% from US$57 million in 2011 to US$15 million in 2012. We began to incur additional finance costs in late 2010 when we increased our bank loans to fund a deposit in relation to the tender offer by Rise Grand in 2011 for the shares of Shuanghui Development. We paid down a substantial portion of these loans in early 2012 after the tender offer process was completed at the end of 2011, thereby resulting in a decrease in our finance costs. As part of the tender offer process, we were required to deposit a certain portion of the consideration payable with the China Securities Depository and Clearing Corporation Limited.

Share of profits of associates

Share of profits of associates increased from US$2 million in 2011 to US$3 million in 2012 as a result of the increase in the profit of our associates.

Profit before taxation

As a result of the foregoing, our profit before taxation more than doubled from US$259 million in 2011 to US$602 million in 2012, and our profit before taxation margin increased from 4.7% in 2011 to 9.6% in 2012.

Taxation

Our taxation increased by 88.7% from US$71 million in 2011 to US$134 million in 2012, due primarily to the substantial increase in our profit before taxation in 2012. The decrease in our effective income tax rate from 27.3% in 2011 to 22.3% in 2012 was due primarily to improved profitability of our slaughtering operations, which are not subject to taxation in the PRC, and recognition of tax losses not previously recognized.

Profit for the year

As a result of the foregoing, our profit for the year increased from US$188 million in 2011 to US$468 million in 2012.

Other comprehensive income for the year arising on translation to presentation currency

Other comprehensive income for the year arising on translation to presentation currency decreased by 95.5% from US$89 million in 2011 to US$4 million in 2012, due to a much smaller appreciation of the Renminbi relative to the U.S. dollar in 2012 compared to 2011, which affects translations from Renminbi, the functional currency of our subsidiaries in China, to U.S. dollars, our presentation currency.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by 70.4% from US$277 million in 2011 to US$472 million in 2012, and our total comprehensive income margin increased from 5.1% in 2011 to 7.6% in 2012.

Non-controlling interests

Total comprehensive income attributable to non-controlling interests increased from US$85 million in 2011 to US$144 million in 2012 primarily due to the increase of our interest in Shuanghui Development and the increase in our total comprehensive income. See the section headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Increase of Our Interests in Shuanghui Development."

Segment Results

The tables below set forth our sales by reportable segment and as a percentage of net external sales for the periods indicated:

For the year ended December 31, 2011

	Packaged meats	% of net external sales	Fresh pork	% of net external sales	Hog production	% of net external sales	Others and corporate	% of net external sales	Total	% of net external sales
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue . .	3,129	57.4%	2,515	46.1%	81	1.5%	371	6.8%	6,096	111.8%
Less: Inter-segment sales.	—	—	(420)	(7.7%)	(67)	(1.3%)	(154)	(2.8%)	(641)	(11.8%)
Net external sales . .	3,129	57.4%	2,095	38.4%	14	0.2%	217	4.0%	5,455	100.0%

For the year ended December 31, 2012

	Packaged meats	% of net external sales	Fresh pork	% of net external sales	Hog production	% of net external sales	Others and corporate	% of net external sales	Total	% of net external sales
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue . .	3,639	58.3%	2,923	46.8%	79	1.3%	363	5.8%	7,004	112.2%
Less: Inter-segment sales	—	—	(504)	(8.1%)	(66)	(1.0%)	(191)	(3.1%)	(761)	(12.2%)
Net external sales . .	3,639	58.3%	2,419	38.7%	13	0.3%	172	2.7%	6,243	100.0%

For the year ended December 31, 2013

	Packaged meats	% of net external sales	Fresh pork	% of net external sales	Hog production	% of net external sales	Others & corporate	% of net external sales	Total	% of net external sales
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
Segment revenue	4,074	55.0%	3,644	49.2%	82	1.1%	526	7.1%	8,326	112.4%
Less: Inter-segment sales	—	—	(634)	(8.5%)	(66)	(0.9%)	(219)	(3.0%)	(919)	(12.4%)
Net external sales	4,074	55.0%	3,010	40.7%	16	0.2%	307	4.1%	7,407	100.0%
U.S.										
Segment revenue	1,969	57.4%	1,347	39.3%	889	25.9%	—	—	4,205	122.6%
Less: Inter-segment sales	—	—	(60)	(1.7%)	(717)	(20.9%)	—	—	(777)	(22.6%)
Net external sales	1,969	57.4%	1,287	37.6%	172	5.0%	—	—	3,428	100.0%
Others[1]										
Segment revenue	180	43.1%	253	60.5%	156	37.3%	—	—	589	140.9%
Less: Inter-segment sales	(11)	(2.7%)	(7)	(1.6%)	(153)	(36.6%)	—	—	(171)	(40.9%)
Net external sales	169	40.4%	246	58.9%	3	0.7%	—	—	418	100.0%
Total										
Segment revenue	6,223	55.3%	5,244	46.6%	1,127	10.0%	526	4.7%	13,120	116.6%
Less: Inter-segment sales	(11)	(0.1%)	(701)	(6.2%)	(936)	(8.3%)	(219)	(2.0%)	(1,867)	(16.6%)
Net external sales	6,212	55.2%	4,543	40.4%	191	1.7%	307	2.7%	11,253	100.0%

Note:

(1) Others consists of revenue and sales generated from our international operations.

The tables below sets forth our reportable segment profit (loss) before biological fair value adjustments and as a percentage of reportable segment profit for the periods indicated.

	Packaged meats	% of consolidated operating profits	Fresh pork	% of consolidated operating profits	Hog production	% of consolidated operating profits	Others & corporate	% of consolidated operating profits	Total	% of consolidated operating profits
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
For the year ended December 31, 2011										
Reportable segment profit	212	83.5%	21	8.3%	19	7.5%	2	0.7%	254	100.0%

	Packaged meats	% of consolidated operating profits	Fresh pork	% of consolidated operating profits	Hog production	% of consolidated operating profits	Others & corporate	% of consolidated operating profits	Total	% of consolidated operating profits
	(US$ million, except percentages)									
	(audited)		(audited)		(audited)		(audited)		(audited)	
China										
For the year ended December 31, 2012										
Reportable segment profit (loss)	505	89.1%	63	11.1%	11	1.9%	(12)	(2.1%)	567	100.0%
For the year ended December 31, 2013										
China										
Reportable segment profit (loss)	678	89.0%	113	14.8%	7	0.9%	(36)	(4.7%)	762	100.0%
U.S.										
Reportable segment profit (loss)	79	76.0%	93	89.4%	(41)	(39.4%)	(27)	(26.0%)	104	100.0%
Others[1]										
Reportable segment profit (loss)	2	10.0%	(5)	(25.0%)	25	125.0%	(2)	(10.0%)	20	100.0%
Total										
Reportable segment profit (loss)	759	85.7%	201	22.6%	(9)	(1.0%)	(65)	(7.3%)	886	100.0%

Note:

(1) Others consists of profit generated from our international operations.

For additional information, please see Appendix IA to this prospectus.

For the years ended December 31, 2013 and 2012

Packaged meats

Operating profit for packaged meats increased from US$505 million in 2012 to US$759 million in 2013. Smithfield contributed US$81 million to our operating profit for packaged meats in 2013. The US$173 million increase in operating profit of our packaged meats operations in China was due primarily to the increase in our sales volume, as we expanded our distribution network and a decrease in the price of raw materials. In addition, selling prices in our operations in China remained relatively stable.

Fresh pork

Operating profit for fresh pork increased from US$63 million in 2012 to US$201 million in 2013. Smithfield contributed US$88 million to our operating profit for fresh pork in 2013. The US$50 million increase in operating profit of our fresh pork operations in China was due primarily as a result of the increase in our sales volume and the decrease in the price of live hogs.

Hog production

Operating profit for hog production amounted to US$11 million in 2012 while we had an operating loss in the amount of US$9 million in 2013. We had an operating loss in hog production in 2013 due primarily to our acquisition of Smithfield as we consolidated a US$16 million operating loss from Smithfield's hog production operations.

Others and corporate

We had an operating loss of US$12 million in 2012 compared to an operating loss of US$65 million in 2013 due primarily to our acquisition of Smithfield, which contributed corporate expenses of US$29 million, and accrual for listing expenses.

For the years ended December 31, 2012 and 2011

Packaged meats

Operating profit for packaged meats increased from US$212 million in 2011 to US$505 million in 2012. The increase was due to increases in selling prices combined with a decrease in per unit raw material costs, and as our sales volume rebounded from the lower sales volume following certain media reports that some hogs delivered to one of our processing plants in Henan province had been raised on feed materials containing clenbuterol hydrochloride.

Fresh pork

Operating profit for fresh pork increased from US$21 million in 2011 to US$63 million in 2012. The increase was primarily as a result of the strong rebound in demand for our fresh pork in 2012, whereas in 2011 the sales for our fresh pork declined following certain media reports that some hogs delivered to one of our processing plants in Henan Province had been raised on feed materials containing clenbuterol hydrochloride. As a result, our sales volume of fresh pork increased from 0.7 million metric tons in 2011 to 0.9 million metric tons in 2012.

Hog production

Operating profit for hog production decreased from US$19 million in 2011 to US$11 million in 2012.

Others and corporate

We recognized an operating profit of US$2 million in others and corporate in 2011 and an operating loss of US$12 million in 2012, primarily as a result of the increase in expenses related to our share incentive scheme.

LIQUIDITY AND CAPITAL RESOURCES

To date we have funded our operations principally from cash generated from our operations, bank loans and other debt instruments and 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 unexpected cash requirements.

We had bank balances and cash of US$554 million, US$674 million and US$875 million as of December 31, 2011, 2012 and 2013, respectively. Our bank balances and cash are held primarily in Renminbi, U.S. dollars, Polish Zloty and Romanian Lei.

Cash flow

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended December 31,		
	2011	**2012**	**2013**
	(US$ million)		
	(audited)	**(audited)**	**(audited)**
Net cash from operating activities	251	673	700
Net cash (used in) from investing activities	(127)	214	(5,015)
Net cash (used in) from financing activities	(10)	(722)	4,411
Net increase in cash and cash equivalents	**114**	**165**	**96**

Operating activities

In 2013, net cash from operating activities amounted to US$700 million, reflecting cash generated from operations in the amount of US$984 million, offset by income taxes paid in the amount of US$209 million and interest paid in the amount of US$75 million. The US$984 million in cash generated from operations reflected profit before taxation in the amount of US$162 million along with non-cash adjustments including share-based compensation payment arrangements of US$639 million, depreciation of property, plant and equipment of US$173 million and interest expenses of US$120 million. Net cash from operating activities also reflected a US$169 million increase in trade and bills and other payables primarily as a result of our acquisition of Smithfield and a US$130 million decrease in biological assets primarily as a result of our acquisition of Smithfield, partially offset by a US$201 million increase in trade receivables primarily related to our acquisition of Smithfield and a US$146 million increase in inventories due to our decision to increase inventories as the price of meat-related raw materials decreased in connection with our China operations.

In 2012, net cash from operating activities amounted to US$673 million, reflecting cash generated from operations in the amount of US$815 million, offset by income taxes paid of US$126 million and interest paid of US$16 million. The US$815 million in cash generated from operations reflected profit before taxation of US$602 million along with non-cash adjustments of depreciation of

property, plant and equipment of US$113 million and share-based compensation payment arrangements of US$42 million. Net cash from operating activities also reflected a US$206 million decrease in inventories, primarily due to the decrease in the cost of raw materials and the amount of inventories, partially offset by a US$151 million decrease in trade and bills and other payables primarily as a result of payables in 2011 in relation to construction projects for certain production facilities and a US$10 million increase in trade and bills and other receivables, primarily as a result of the increase in our sales volume to large customers to whom we granted credit in connection with the expansion of our distribution network to hypermarkets.

In 2011, net cash from operating activities amounted to US$251 million, reflecting cash generated from operations of US$409 million, offset by income taxes paid of US$101 million and interest paid of US$57 million. The US$409 million in cash generated from operations reflected profit before taxation of US$259 million and non-cash adjustments of depreciation of property, plant and equipment of US$88 million and interest expenses of US$57 million. Net cash from operating activities also reflected a US$126 million increase in trade and bills and other payables primarily as a result of efforts to improve our cash management. These amounts were offset by a US$133 million increase in our inventories primarily as a result of the increase in our inventory in relation to the increase in hog prices and enhancements in our quality control procedures that resulted in longer testing days before sale.

Investing activities

In 2013, net cash used in investing activities amounted to US$5,015 million, primarily reflecting a US$4,652 million net cash outflow in connection with our acquisition of Smithfield, US$3,677 million in purchases of available-for-sale investments and US$295 million in relation to purchases of property, plant and equipment primarily in connection with the continued construction of our production plants in Wuhu, Zhengzhou and Nanning, China, partially offset by the proceeds from the maturity of available-for-sale investments in the amount of US$3,646 million in connection with the maturity of certain financial products previously purchased.

In 2012, net cash from investing activities amounted to US$214 million, primarily reflecting proceeds from the maturity of available-for-sale investments in the amount of US$992 million in connection with the maturity of certain financial products previously purchased, partially offset by the purchase of available-for-sale investments in the amount of US$692 million and the acquisition of property, plant and equipment in the amount of US$151 million primarily in connection with the construction of production plants in Wuhu, Zhengzhou and Mianyang, China.

In 2011, net cash used in investing activities amounted to US$127 million, primarily reflecting purchases of available-for-sale investments in the amount of US$853 million and the acquisition of property, plant and equipment in the amount of US$309 million primarily in connection with the construction of our production plants in Nanchang, Mianyang and Zhengzhou, China. These amounts were partially offset by the withdrawal of a security deposit we placed with the China Securities Depository and Clearing Corporation Limited in 2010 in the amount of US$510 million in relation to the tender offer by Rise Grand for shares of Shuanghui Development, proceeds from the maturity of available-for-sale investments of US$459 million and the withdrawal of pledged bank deposits in the amount of US$130 million in relation to our repayment of bank borrowings, settlement of bills payables and the release of bank guarantees.

Financing activities

In 2013, net cash from financing activities amounted to US$4,411 million, reflecting net increase in borrowings in the amount of US$4,523 million primarily in relation to our acquisition of Smithfield, partially offset by US$90 million in dividends paid by Shuanghui Development to its public shareholders.

In 2012, net cash used in financing activities amounted to US$722 million. This amount primarily reflected net repayment of borrowings in the amount of US$623 million, largely due to our repayment of loans we increased to fund a deposit in relation to the tender offer by Rise Grand in 2011 for the shares of Shuanghui Development. In addition, we also paid US$105 million in dividends to Shareholders of the Company and public shareholders of Shuanghui Development in 2012.

In 2011, net cash used in financing activities amounted to US$10 million, primarily reflecting a net increase in borrowings in the amount of US$28 million and US$38 million in dividends paid to the public shareholders of Shuanghui Development.

See the sections headed "Risk Factors — Risks Relating to Countries in Which We Operate — Government Control of Currency Conversion Could Negatively Affect Our Financial Condition, Operations and Our Ability to Pay Dividends," "Risk Factors — Risks Relating to Countries in Which We Operate — The PRC Regulations of Loans and Investments by Offshore Holding Companies to Chinese Entities May Hinder Us From Using the Net Proceeds of the Global Offering to Fund Our Business Operations in China" and "Regulatory Overview — Laws and Regulations Material to Our PRC Operations — Laws and Regulations Relating to Foreign Exchange" for details on legal and regulatory factors that may have a material impact on our liquidity.

CAPITAL EXPENDITURES

Historical Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated. Capital expenditures were funded from internally generated resources, external borrowings and capital injections from our shareholders. Historical capital expenditures related primarily to purchases of fixed assets and intangible assets.

	Year ended December 31,		
	2011	2012	2013
	(US$ million)		
	(audited)	(audited)	(audited)
Capital expenditures	349	167	331

Capital expenditures amounted to US$349 million, US$167 million and US$331 million in 2011, 2012 and 2013, respectively. Capital expenditures in 2011 primarily related to the construction of production plants in Nanchang, Mianyang and Zhengzhou, China. Capital expenditures in 2012 primarily related to the construction of our production plants in Mianyang, Wuhu and Zhengzhou, China. Capital expenditures in 2013 primarily related to the construction of production plants in Wuhu, Zhengzhou and Nanning, China.

CAPITAL AND CONTRACTUAL COMMITMENTS

Capital commitments

Our capital commitments consist primarily of contractual commitments relating to the construction of production plants and factories, including packaged meat products and fresh pork facilities, cold storage facilities and packaging machines. The table below sets forth the total amount of our capital commitments as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	(US$ million)		
	(audited)	(audited)	(audited)
Property, plant and equipment			
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	422	192	266
Capital expenditure authorized for but not contracted for in respect of acquisition of property, plant and equipment	—	—	127
Total	422	192	393

Capital commitments decreased from US$422 million as of December 31, 2011 to US$192 million as of December 31, 2012 primarily as a result of commitments in relation to our expansion plans in Wuhu, Nanchang, Zhengzhuo and Mianyang, China, which were in the process of construction in 2012. Capital commitments increased from US$192 million as of December 31, 2012 to US$393 million as of December 31, 2013 primarily as a result of our consolidation of Smithfield's capital commitments after the Merger. These capital commitments primarily reflect commitments related to improvements at Smithfield's plants and hog production facilities, including the conversion to group pens for pregnant sows. We expect these commitments to be funded primarily from cash generated from operating activities and our credit facilities.

Operating lease commitments

We have non-cancellable lease agreements with respect to warehouse facilities and premises. The table below sets forth the outstanding commitments under these non-cancellable lease agreements as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(US$ million)		
	(audited)	(audited)	(audited)
Within one year	1	1	43
In the second to fifth years inclusive	2	1	87
After five years	2	2	33
Total	**5**	**4**	**163**

Operating lease commitments decreased slightly from US$5 million as of December 31, 2011 to US$4 million as of December 31, 2012. Operating lease commitments increased from US$4 million as of December 31, 2012 to US$163 million as of December 31, 2013 primarily due to our consolidation of Smithfield's operating lease commitments after the Merger, which primarily represent leases of facilities and equipment.

INDEBTEDNESS

Borrowings

Our borrowings are denominated principally in U.S. dollars, Renminbi, Polish Zloty and Romanian Lei. We had the following outstanding interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of February 28,
	2011	2012	2013	2014
	(US$ million)			
	(audited)	(audited)	(audited)	(unaudited)
Composition of Borrowings				
Bank borrowings and overdrafts				
Secured	91	—	4,376	4,556
Unsecured	761	191	612	608
Bonds				
Secured	—	—	—	—
Unsecured	—	—	2,441	2,434
Loans from related parties				
Secured	—	—	—	—
Unsecured	9	—	—	—
Loans from third parties				
Secured	1	1	1	1
Unsecured	2	2	2	2
Total	**864**	**194**	**7,432**	**7,601**
Maturity of Borrowings				
On demand or within one year	855	164	760	775
In the second year	—+	27	306	267
In the third to fifth year inclusive	7	1	4,950	5,143
Over five years	2	2	1,416	1,416
Total	**864**	**194**	**7,432**	**7,601**

+ Less than US$1 million

Borrowings amounted to US$864 million, US$194 million, US$7,432 million and US$7,601 million as of December 31, 2011, 2012 and 2013 and February 28, 2014, respectively. Borrowings decreased from US$864 million as of December 31, 2011 to US$194 million as of December 31, 2012 primarily as a result of repayment of loans we incurred to fund a deposit in relation to the tender offer by Rise Grand in 2011 for the shares of Shuanghui Development. For more information regarding the tender offer, please see the section headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Share Issuance and Transfer to Chang Yun." Borrowings increased from US$194 million as of December 31, 2012 to US$7,432 million as of December 31, 2013 primarily as a result of our acquisition of Smithfield, including the US$4,000 million Syndicated Term Loan and bonds in the amount of US$900 million and the consolidation of Smithfield's debt obligations. Borrowings increased slightly from US$7,432 million as of December 31, 2013 to US$7,601 million as of February 28, 2014. The carrying amount of our assets pledged to secure borrowings amounted to US$75 million, US$8 million, US$66 million and US$69 million as of December 31, 2011, 2012 and 2013 and February 28, 2014, respectively.

Our bank loans with fixed interest rates had fixed interest rates ranging from 1.95% to 8.53% as of December 31, 2011, from 4.2% to 7.3% as of December 31, 2012, from 1.48% to 6% as of December 31, 2013 and from 1.83% to 2.9% as of February 28, 2014. Bank loans with floating rates as of December 31, 2012 carried floating rates of LIBOR + 1.3% to 2.3%, bank loans with floating rates as of December 31, 2013 carried floating rates of 1.38% to WIBOR+2.5% and bank loans with floating rates as of February 28, 2014 carried floating rates from 1.36% to WIBOR+2.5%. We did not have any bank loans with floating interest rates as of December 31, 2011. Historically, LIBOR and WIBOR fluctuated subject to various factors, such as the global macroeconomic environment, monetary policies of central banks and demand and supply in the money market.

Loans from third parties (exclusive of our bank loans) carried fixed interest rates ranging from 0.6% to 0.9% as of December 31, 2011, December 31, 2012, December 31, 2013 and February 28, 2014.

Our bank overdrafts carried interest at rates of 6.1%, 5.6% and 5.6% as of December 31, 2011, December 31, 2013 and February 28, 2014, respectively. We did not have any bank overdrafts as of December 31, 2012.

The following table sets forth certain additional details of our outstanding banking facilities as of February 28, 2014, being the Latest Practicable Date:

	February 28, 2014			
	Capacity	Outstanding Letters of Credit	Outstanding Borrowings	Amount Available
	(US$ million)			
Facilities				
United States:				
— Inventory revolver	1,025	—	310	715
— Securitization facility	269	93	140	36
	1,294	93	450	751
Hong Kong	80	—	11	69
China	298	76	90	132
International	143	—	42	101
Term Loans				
— Syndicated loan	3,936	—	3,936	—
— Others	635	—	635	—
	4,571	—	4,571	—
Total	6,386	169	5,164	1,053

Our inventory-based revolving credit facility (the "Inventory Revolver") and our accounts receivable securitization facility (the "Securitization Facility") were entered into by Smithfield in June 2011 to support its short-term funding needs and letters of credit. The capacity under the Inventory Revolver may be expanded up to US$1.025 billion. The maximum capacity under our Securitization Facility is US$269 million. We may request working capital loans and letters of credit under both facilities.

Availability under the Inventory Revolver is a function of the level of Smithfield's eligible inventories, subject to reserves. The Inventory Revolver matures in June 2016. The unused commitment fee and the interest rate spreads are a function of Smithfield's leverage ratio (as defined in the Inventory Revolver credit agreement). As of February 28, 2014, the unused commitment fee and interest rate were 0.625% and LIBOR plus 3.25%, respectively. The Inventory Revolver credit agreement includes financial covenants. The ratio of Smithfield's funded debt to capitalization (as defined in the Inventory Revolver credit agreement) may not exceed 0.5 to 1.0, and Smithfield's EBITDA to interest expense ratio (as defined in the Inventory Revolver credit agreement) may not be less than 2.5 to 1.0. Obligations under the Inventory Revolver are guaranteed by Smithfield's material U.S. subsidiaries and are secured by a first priority lien on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property and certain equity interests.

The Securitization Facility was put in place in June 2011 and matures in May 2016. Availability under the Securitization Facility is a function of the level of Smithfield's accounts receivables. As part of the arrangement, all accounts receivable of Smithfield's major Pork segment subsidiaries are sold to a wholly owned "bankruptcy remote" special purpose vehicle (the "SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in our consolidated financial statements and, therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should Smithfield become insolvent. As of February 28, 2014, the SPV held US$531 million of accounts receivable and we had US$140 million outstanding borrowings on the Securitization Facility. As of February 28, 2014, the unused commitment fee and interest rate spreads were 0.45% and 0.2% plus 1.15%, respectively, on the Securitization Facility.

Our Hong Kong facilities include uncommitted RMB-denominated, U.S. dollar-denominated, Hong Kong dollar-denominated, Euro-denominated and Yen-denominated facilities. Under our Hong Kong facilities, we may utilize revolving term loans, letters of credits and trust receipts. We use our Hong Kong facilities for various purposes, including financing our general corporate funding requirements, refinancing existing indebtedness and financing the import of frozen meat and other by-products. Certain of our Hong Kong facilities contain affirmative and negative covenants, subject to certain qualifications and exceptions. All amounts utilized under the Hong Kong facilities are payable on demand.

Our PRC facilities and borrowings represent facilities and borrowings from various banks in the PRC, including branches of non-PRC financial institutions located in China. We use funds from our PRC facilities and borrowings primarily for our operations such as purchasing raw materials. Certain of the PRC facilities and borrowings contain affirmative and negative covenants that, among other things, restrict our ability to dispose of or transfer assets, make guarantees, incur debt, enter into liquidation, enter into change of control transactions or change the scope of our business, in each case, without the consent of the respective lender. Certain of our PRC facilities and borrowings also contain financial covenants that, among other things, require the subsidiary borrower to maintain a debt-to-asset ratio of no more than 70%. Availability under our other PRC facilities and borrowings may require us to submit additional documentation and procedures and may also be subject to the discretion of the relevant lender.

Our Syndicated Term Loan contains affirmative and negative covenants that, among other things, limit or restrict our ability to create liens and encumbrances, incur debt, provide guarantees and indemnities, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of our stock, subject to certain qualifications and exceptions. The Syndicated Term Loan agreement also contains financial covenants requiring us to maintain a consolidated net worth (as defined in the Syndicated Term Loan agreement) of no less than US$2,000 million, interest cover (as defined in the Syndicated Term Loan agreement) in respect of each relevant period of no less than 150% at the end of such relevant period and a ratio of total net debt to consolidated EBITDA (as defined in the Syndicated Term Loan agreement) in respect of each relevant period of no greater than five times at the end of such relevant period. In addition, Shuanghui Group, our indirect wholly owned subsidiary, as an obligor under the Syndicated Term Loan, is required to

maintain a total debt-to-total-asset ratio of no greater than 45% and total debt of no greater than RMB3,000 million. The three-year tranche maturing on August 30, 2016 has an interest rate of LIBOR plus 3.5% and the five-year tranche maturing on August 30, 2018 has an interest rate of LIBOR plus 4.5%.

The US$200 million floating rate senior unsecured term loan with Rabobank contains affirmative and negative covenants that, among other things, limit or restrict Smithfield's ability to create liens and encumbrances, incur debt, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of Smithfield's stock, in each case, subject to certain qualifications and exceptions. In addition, it contains a financial covenant requiring Smithfield to maintain a minimum interest coverage ratio (ratio of consolidated EBITDA to consolidated interest expense) of not less than 1.75 to 1.0. The maturity of this term loan was extended from June 2016 to May 2018 and carries an annual interest rate equal to LIBOR plus 4%, or at Smithfield's election, a base rate plus 3%.

As of February 28, 2014, we had aggregate credit facilities in the amount of US$6,386 million. Our unused capacity under these credit facilities and credit lines was US$1,053 million. These facilities and lines are generally at prevailing market rates. We pay commitment fees on the unused portion of the facilities.

The following table sets forth certain additional details of our outstanding debt instruments as of the Latest Practicable Date:

	February 28, 2014
Borrowings	**Amount Outstanding**
	(US$ million)
6.625% senior unsecured notes, due August 2022	1,021
7.75% senior unsecured notes, due July 2017	531
5.25% senior unsecured notes, due August 2018	490
5.875% senior unsecured notes, due August 2021	392
	2,434

Our senior unsecured notes contain affirmative and negative covenants that, among other things, limit or restrict Smithfield's ability to create liens and encumbrances, incur debt, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of its stock, in each case, subject to certain qualifications and exceptions.

We expect to seek and to be able to obtain borrowings on terms similar to the borrowings we secured and utilized during the Track Record Period. We announced on November 27, 2013 that we entered into a US$8 billion non-binding strategic cooperation framework agreement with the Bank of China. We and our subsidiaries would have the flexibility to utilize the proposed services and new funding arrangements to invest in operations, fixed assets, international trade initiatives, potential mergers and acquisitions and other corporate purposes.

For additional details on the effect of our business and liquidity position in relation to our level and terms of indebtedness, see the section headed "Risk Factors — Risks Relating to Our Business — Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position."

Obligations under financial leases

The Group leases certain of its buildings, machinery, vehicles and other equipment under finance leases. As at February 28, 2014, the lease terms ranged from two to 27 years. The interest rates underlying the obligations under finance leases are variable at respective contract dates and they averaged of 0.3% per annum and had an aggregate present value of US$26 million as at February 28, 2014. The Group's obligations under finance leases are secured by the charges of the lessors over the leased assets.

Contingent liabilities and guarantees

We have established a reserve in relation to certain litigation matters pending in the State of North Carolina, United States. For additional information, please see the section headed "Business — Legal Compliance and Proceedings — Legal Compliance and Proceedings in the U.S. — North Carolina Nuisance Dispute" in this prospectus. In addition, as of February 28, 2014, we guaranteed leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. in 2008. This guaranty may remain in place until the leases expire through February 2022.

As of February 28, 2014, except as disclosed above, we did not have significant contingent liabilities.

Other outstanding indebtedness

Save as disclosed above and otherwise in this prospectus, as of February 28, 2014, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors further confirm that there was no material default in payment of our trade and non-trade payables and bank borrowings, nor did we breach any relevant finance covenants, during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements.

NET CURRENT ASSETS

The following table shows our current assets and current liabilities as at the dates indicated:

	As of December 31,			As of February 28,
	2011	2012	2013	2014
	(US$ million)			
	(audited)	(audited)	(audited)	(unaudited)
Current Assets				
Biological assets	20	16	1,116	1,111
Inventories	529	328	1,808	1,894
Trade and bills receivables	38	50	870	842
Prepayments, deposits and other receivables	80	75	242	313
Prepaid lease payments	4	5	5	6
Taxation recoverable	—	—	37	38
Available-for-sale investments	409	114	151	432
Derivative financial assets	—	—	6	11
Pledged bank deposits	69	8	57	59
Bank balances and cash	554	674	875	419
Total	**1,703**	**1,270**	**5,167**	**5,125**
Current Liabilities				
Trade and bills payables	300	225	851	826
Accrued expenses and other payables	448	371	1,146	851
Taxation payable	16	28	44	51
Borrowings	808	164	684	655
Derivative financial liabilities	—	—	21	65
Bank overdrafts	47	—	76	120
Total	**1,619**	**788**	**2,822**	**2,568**
Net Current Assets	**84**	**482**	**2,345**	**2,557**

Net current assets amounted to US$84 million, US$482 million, US$2,345 million and US$2,557 million as of December 31, 2011, 2012 and 2013 and February 28, 2014, respectively. Net current assets increased from US$84 million as of December 31, 2011 to US$482 million as of December 31, 2012 primarily as a result of the decrease in our borrowings. Net current assets increased from US$482 million as of December 31, 2012 to US$2,345 million as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield. Net current assets increased slightly from US$2,345 million as of December 31, 2013 to US$2,557 million as of February 28, 2014.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories include raw materials, work in progress and finished goods. Raw materials consist primarily of feed grains, pork, chicken and other meat-related products, other food ingredients, packaging materials and consumables. Work in progress consists primarily of meat undergoing processing and related semi-finished packaging materials. Finished goods consist primarily of packaged meat products and fresh pork intended for external sales.

The following table sets forth our inventories as of the dates indicated.

	As of December 31,		
	2011	**2012**	**2013**
		(US$ million)	
	(audited)	**(audited)**	**(audited)**
Raw materials	268	150	595
Work in progress	20	18	89
Finished goods	241	160	1,124
Total	**529**	**328**	**1,808**

Inventories amounted to US$529 million, US$328 million and US$1,808 million as of December 31, 2011, 2012 and 2013, respectively. Our inventories decreased from US$529 million as of December 31, 2011 to US$328 million as of December 31, 2012 primarily due to (i) a delay in our pre-holiday stock-up of inventories in 2013 since Chinese Lunar New Year was in February in 2013 as compared to January in 2012; (ii) lower hog prices in 2012 compared to 2011 and (iii) our efforts in optimizing our supply chain and improving our inventory management, which resulted in a decrease in inventory turnover days. Inventories increased from US$328 million as of December 31, 2012 to US$1,808 million as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield as well as our pre-holiday stock up of inventories in anticipation of the Chinese Lunar New Year holiday in our operations in China.

Our total inventories as of December 31, 2011, 2012 and 2013 is after write-downs of US$9 million, reversal of write-downs of US$5 million and write-downs of US$3 million, respectively, primarily due to fluctuations in the selling price of frozen pork products.

The following table sets forth our average inventory, cost of sales and inventory turnover days as of the dates indicated.

	As of December 31,		
	2011	2012	2013
		(US$ million)	
Average inventory [(1)]	457.2	428.5	1,068.0
Cost of sales	4,865	5,244	9,457
Inventory turnover days [(2)]	34.3	29.8	41.2

Notes:

(1) Average of the beginning and ending balances of total inventories in the period indicated.

(2) Calculated as the average balances of total inventories, divided by the total cost of sales in the year (before biological assets fair value adjustments), multiplied by 365.

Inventory turnover days decreased from 34.3 days in 2011 to 29.8 days in 2012 primarily due to our efforts to optimize our supply chain management in 2012. For instance, in 2012, we improved an order-based policy, which requires our sales department to match a customer's order with the production plant nearest to the customer. This policy has resulted in shorter time required between when orders are received and when goods are delivered, thereby resulting in a general reduction in storage periods of our inventories during the year. In addition, due to our efforts in optimizing our supply chain management, we reduced bulk orders to our suppliers, which increased the frequency of the orders but shortened the settlement period of each order. Inventory turnover days increased from 29.8 days in 2012 to 41.2 days in 2013 primarily as a result of our acquisition of Smithfield and our pre-holiday stock up of inventories in anticipation of the Chinese Lunar New Year holiday in our operations in China. Inventory turnover days from our operations in China was 27.3 days as of December 31, 2013.

Trade and bills receivables

Our trade and bills receivables consist primarily of trade receivables from customers and bank acceptance bills received in connection with the sale of goods. Trade and bills receivables amounted to US$38 million, US$50 million and US$870 million as of December 31, 2011, 2012 and 2013, respectively. Our trade and bills receivables increased from US$38 million as of December 31, 2011 to US$50 million as of December 31, 2012 as a result of (i) expanded direct distributions to large customers such as hypermarkets, which were granted credit terms, and (ii) increased acceptance of bills in connection with the sale of goods to our long-term customers. Trade and bills receivables increased from US$50 million as of December 31, 2012 to US$870 million as of December 31, 2013 primarily due to the completion of our acquisition of Smithfield.

The following table sets forth our average trade and bills receivables, turnover and trade and bills receivable turnover days as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	(US$ million)		
Average trade and bills receivables [(1)]	36.5	44.0	460.0
Turnover	5,455	6,243	11,253
Trade and bills receivables days [(2)]	2.4	2.6	14.9

Notes:

(1) Average of the beginning and ending balances of total trade and bills receivables in the period indicated.

(2) Calculated as the average balances of total trade and bills receivables, divided by the total turnover in the year, multiplied by 365.

Our trade and bills receivables days remained stable during 2011 to 2012 and the low trade and bills receivable days reflects the fact that most of our deliveries are made after receipt of payment. Our trade and bills receivable days increased from 2.6 days in 2012 to 14.9 days in 2013 primarily as a result of the impact from our acquisition of Smithfield. To the extent we grant credit in our China operations, the general credit term is within 30 days. In our U.S. and international operations, credit terms vary depending on the sales channel and customer. Trade and bills receivable days in our operations in China was 3.6 days as of December 31, 2013.

The following table sets forth an aging analysis of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2011	2012	2013
		(US$ million)	
	(audited)	(audited)	(audited)
0 to 30 days	33	31	778
31 to 90 days	5	17	79
91 to 180 days	—+	2	13
Over 181 days	—+	—+	—+
Total	**38**	**50**	**870**

+ Less than US$1 million

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables consist primarily of deposits paid to suppliers, value-added tax receivables, loans receivables and prepayments. Prepayments, deposits and other receivables amounted to US$80 million, US$75 million and US$365 million as of December 31, 2011, 2012 and 2013, respectively. Prepayments, deposits and other receivables remained relatively stable as of December 31, 2011 and 2012. Prepayments, deposits and other receivables increased as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield and consisted largely of loans receivables, deposits paid to suppliers and value-added tax receivables.

Trade and bills payables

Trade and bills payables consist primarily of payables to suppliers. Trade and bills payables amounted to US$300 million, US$225 million and US$851 million as of December 31, 2011, 2012 and 2013, respectively. Trade and bills payables decreased from US$300 million as of December 31, 2011 to US$225 million as of December 31, 2012 primarily due to our efforts in optimizing our supply chain management in 2012. These measures included reducing bulk orders to our suppliers, which increased the frequency of orders but shortened the settlement period of each order. Trade and bills payables increased from US$225 million as of December 31, 2012 to US$851 million as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield.

The following table sets forth our average trade and bills payables, cost of sales and trade and bills payables turnover days as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	(US$ million)		
Average trade and bills payables [(1)]	275.0	262.5	538.0
Cost of sales	4,865	5,244	9,457
Trade and bills payables days [(2)]	20.6	18.3	20.8

Notes:

(1) Average of beginning and ending balances of total trade and bills payables in the period indicated.

(2) Calculated as the average balances of total trade and bills payables, divided by the total cost of sales in the year (before biological assets fair value adjustments), multiplied by 365.

Trade and bills payables days decreased from 20.6 days in 2011 to 18.3 days in 2012 due primarily to our successful implementation of the aforementioned policies in optimizing our supply chain management in 2012. Trade and bills payable days increased from 18.3 days in 2012 to 20.8 days in 2013 primarily as a result of the impact from our acquisition of Smithfield. Trade and bills payable days in our operations in China was 13.8 days as of December 31, 2013.

The following table sets forth an aging analysis of our trade and bills payables for the periods indicated.

	As of December 31,		
	2011	2012	2013
		(US$ million)	
	(audited)	(audited)	(audited)
0 to 30 days	274	188	756
31 to 90 days	—	28	87
91 to 180 days	—	9	8
181 days to 1 year	26	—	—
Total	300	225	851

The credit period on our purchases of goods in our China operations is approximately 30 days. In our U.S. and international operations, credit terms vary based on goods and vendor and payables are typically paid in approximately 15 days.

Accrued expenses and other payables

Accrued expenses and other payables consist primarily of accrued staff costs such as salaries, deposits received from customers, payables in respect of acquisition of property, plant and equipment, insurance payables, sales rebates payables, dividends payable and interest payables.

The following table sets forth our accrued expenses and other payables as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	(US$ million)		
Deposits received from customers	112	97	196
Accrued staff costs	103	101	342
Pension liability	—	—	26
Payables in respect of acquisition of property, plant and equipment	98	55	78
Obligations under finance leases	—	—	1
Deferred revenue	—	—	5
Interest payable	—	—	65
Sales rebates payables	—	—	105
Insurance payables	—	—	109
Dividend payable	2	—+	46
Amounts due to associates	17	8	8
Growers payables	—	—	35
Other tax payables	8	38	69
Balance of contingent consideration in respect of acquisition of subsidiaries	—	—	48
Other payables	108	72	163
Total	448	371	1,296
Analysed for reporting purposes as:			
Current	448	371	1,146
Non-current	—	—	150
Total	448	371	1,296

\+ *Less than US$1 million*

Accrued expenses and other payables amounted to US$448 million, US$371 million and US$1,296 million as of December 31, 2011, 2012 and 2013, respectively. Payables in respect of acquisition of property, plant and equipment decreased from US$98 million as of December 31, 2011 to US$55 million as of December 31, 2012 primarily as a result of the decrease in our capital expenditures. In addition, due to Chinese New Year falling in February in 2013 compared to January in 2012, deposits received from customers decreased from US$112 million as of December 31, 2011 to US$97 million as of December 31, 2012 primarily as a result of the differences in timing of when payments from our customers were made in relation to the peak season of sales before the Chinese New Year. Accrued expenses and other payables increased as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield.

Available-for-sale investments

Our available-for-sale investments consist of financial products that we purchase as part of our cash management strategy to obtain higher yields than we can receive on regular bank deposits. We will assess, among other things, the return and risks, the purchase amount, type of financial product and the issuing bank or other institution before purchasing any available-for-sale investment. We invest in financial products primarily through our subsidiary, Shuanghui Development. Pursuant to Shuanghui Development's investment policy, Shuanghui Development's investment in financial products cannot exceed 20% of its most recently reported audited net assets. In addition, Shuanghui Development's investments are primarily principal-guaranteed financial and trust products issued by banks, trust companies and mutual funds. Available-for-sale investment amounted to US$409 million, US$114 million and US$151 million as of December 31, 2011, 2012 and 2013, respectively.

Biological assets and valuation

During the Track Record Period, our biological assets comprised live hogs at various stages of development and breeding stock used to create future market animals. Live hogs are classified throughout their life as suckling, nursery or finishing hogs. When a hog is born, it will be classified as "suckling." After approximately three to four weeks, once a suckling hog has been weaned, it will be transferred to the nursery and classified as "nursery." After approximately seven weeks in nursery, the hog will be transferred to a finishing farm and classified as "finishing." The following table sets out the value and number of our biological assets at the end of each of the report periods:

	As of December 31,		
	2011	**2012**	**2013**
		(US$ million)	
Carrying value of hogs	25	23	1,320
		('000 heads)	
Live hogs			
- suckling	29	32	1,336
- nursery	43	44	2,010
- finishing	86	83	7,057
Breeding stock	19	19	1,047
Total	177	178	11,450

The fair value of our biological assets as of December 31, 2011, 2012 and 2013 was US$25 million, US$23 million and US$1,320 million, respectively. Our biological assets decreased from US$25 million as of December 31, 2011 to US$23 million as of December 31, 2012. The decrease was primarily due to fewer finishing hogs as of December 31, 2012. Biological assets increased from US$23 million as of December 31, 2012 to US$1,320 million as of December 31, 2013 primarily as a result of the completion of our acquisition of Smithfield.

Our biological assets were independently valued by JLL, who are independent professional valuers not connected with us, and have appropriate extensive experience in valuation of biological assets. See the section headed "— Valuation of Biological Assets".

VALUATION OF BIOLOGICAL ASSETS

Information about the independent valuer of our hogs

We have engaged JLL, an independent valuer, to determine the fair value of our hogs less estimated point-of-sale costs as of December 31, 2011, 2012 and 2013, respectively. For the purposes of valuing our biological assets as at each valuation date, the key valuers of the JLL team comprised Mr. Simon Chan, Dr. Glen W. Almond, Dr. Artur Wlodarczak, Prof. G. Z. Ren and Mr. Kevin Chan.

Mr. Simon Chan, Regional Director at JLL, is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a Fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), a member of Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of China Modern Dairy Holdings Ltd (1117.HK), China Huishan Dairy Holdings Company Limited (6863.HK), and YuanShengTai Dairy Farm Limited (1431.HK). He also led the valuation of other biological assets, such as hogs, trees, rabbits and chickens, for financial reporting purpose of Hong Kong listed companies including Chenming Paper (1812.HK), China Mengniu Dairy Company Limited (2319.HK) and China Kangda Food Company Limited (834.HK), as well as numerous private companies.

Dr. Glen W. Almond is currently professor of Pig Health & Production Medicine in the Department of Population Health & Pathobiology in the College of Veterinary Medicine of North Carolina State University in the United States of America, and an Associate Faculty Member in the Department of Animal Science in the College of Agriculture & Life Sciences of North Carolina State University. Dr. Almond has extensive experience in animal science and is a member of American Association of Swine Veterinarians.

Dr. Artur Wlodarczak currently works as a veterinary physician in W&W Veterinary Clinic and specialises in swine disease with extensive experience in hog industry. He graduated from Wroclaw University of Environmental and Life Sciences in Poland and holds a degree of Doctor of Veterinary Medicine.

Prof. G. Z. Ren, is currently professor of Henan Agricultural University, and supervisor of postgraduates. He holds concurrent posts as vice chairman in hog-breeding branch of Chinese Association of Animal & Veterinary Sciences. He is also a deputy chairman in Henan Pig Industry Association and an expert in swine industry for Henan Provincial Government in the PRC.

Mr. Kevin Chan, Senior Manager at JLL, holds the Chartered Financial Analyst designation and is a member of HKICPA. He has provided a number of valuation and advisory services to listed and private companies of different industries in China and Hong Kong for M&A and accounting purposes. The valuation services provided include equity valuation, intangible asset identification and valuation, asset impairment evaluation, and valuation of financial instruments. Kevin was a key member in dairy cow valuation for China Huishan Dairy Holdings Company Limited (6863.HK) and has participated in a number of valuation exercises of biological assets including trees, orchards and livestock.

Based on market reputation and relevant background research, our Directors are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation methodology

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established market may be valued using this approach.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets. Allowance is made for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally provides the most reliable indication of value for assets without a known market or which have insignificant biological transformation.

The Joint Sponsors held various discussions with JLL in relation to its valuation procedures, valuation techniques and the information required to prepare its valuation report. The Joint Sponsors further compared the valuation technique, chosen with those used in other similar transactions and market practice.

Based on age, weight and purpose, hogs are classified as suckling pigs, breeding stock, nursery hogs and finishing hogs. The market or cost approach was adopted for suckling pigs, breeding stock, nursery hogs and finishing hogs, where appropriate.

Suckling pigs

The cost approach was adopted for suckling pigs, as there is insignificant biological transformation that takes place since the initial cost incurrence.

Breeding stock, nursery hogs and finishing hogs

The market approach was adopted by JLL to value our breeding stock, nursery hogs and finishing hogs. This approach was adopted because recent prices for these hogs at certain ages exist near the valuation date. The fair values of the breeding stock, nursery hogs and finishing hogs were developed through the application of market approach with reasonable adjustments to reflect age differences.

Key assumptions and inputs

Suckling pigs

The key input and assumption for valuing our suckling pigs is the breeding costs.

Breeding stock, nursery hogs and finishing hogs

The key inputs and assumptions for valuing our breeding stock, nursery hogs and finishing hogs are the selling price, cost and age. As for nursery hogs and finishing hogs, since these hogs can only be sold to the market when they become 25 to 32 weeks old, the fair values of our nursery hogs and finishing hogs are determined by subtracting the costs required to raise the animals from their respective ages to 25 to 32 weeks old and the margin required by the raisers from their assumed selling price of finishing hogs. As for the breeding stock, it is uncommon to be sold before the end of its useful life and as such, there is no active market for the Company's useful breeding stock. The selling price in the valuation is assumed with reference to the average historical prices when the breeding stock was sold to slaughter houses at the end of its useful life.

Set forth below are the key assumptions and inputs adopted in the valuation process of our hogs as well as the actual historical results:

		As of December 31,		
		2011	**2012**	**2013**
China				
Breeding stock				
Per head market price[1] (RMB)	Assumption used	2,345	2,313	2,357
	Actual	N/A	N/A	N/A
Suckling pigs				
Per head cost[2] (RMB)	Assumption used	100	66	69
	Actual	100	66	69
Finishing hogs				
Per head market price[3] (RMB)	Assumption used	1,548	1,643	1,564
	Actual	1,623	1,599	1,535
Per head weekly average breeding costs required to raise to finishing hogs[4] (RMB)	Assumption used	44	47	50
	Actual	37	42	46

		As of December 31, 2013		
		U.S.	Poland	Romania
Non-China				
Breeding stock - Sow				
Per head market price(1) (USD)	Assumption used	225	200	176
	Actual	N/A	N/A	N/A
Breeding stock - Boar				
Per head market price(1) (USD)	Assumption used	139	135	98
	Actual	N/A	N/A	N/A
Suckling pigs				
Per head cost(2) (USD)	Assumption used	34	34	25
	Actual	34	34	25
Finishing hogs				
Per head market price(3) (USD)	Assumption used	189	204	202
	Actual	169	206	227
Per head weekly average breeding costs required to raise to finishing hogs(4) (USD)	Assumption used	5.6	6.1	6.7
	Actual	5.9	6.1	5.1

Notes:

1. Market prices of breeding stock — Breeding stock is assumed to be sellable to the market as at the corresponding valuation date. The selling price in the valuation is assumed with reference to the average historical prices when the breeding stock was sold to slaughter houses at the end of its useful life. There was no actual sale of breeding stock before the end of its useful life.

2. Costs of suckling pigs — As there is insignificant biological transformation that takes place between the birth of these animals until they become finishing hogs, the cost approach was adopted. As the hogs are only 4 weeks' old at most, the recent cost incurred approximates the replacement cost.

3. Market prices of finishing hogs — The adopted selling prices of finishing hogs (which are old enough to be sold to the market) are determined using their market price at the actively traded local spot and/or future market as reference. The prices used in the valuation are in line with the actual prices we recorded.

4. Weekly average breeding costs required to raise to finishing hogs — The weekly average breeding costs required to raise to finishing hogs as an assumption in valuation are based on the historical average feeding cost, medication and vaccination, grower payment, production housing, production overhead, the freight-to-slaughter and selling costs that would be incurred for sales.

   The actual breeding cost in December 2011 in China was lower than the assumption used as the finishing hogs bred during the year were lighter than usual, making the per head breeding cost lower.

   The actual breeding costs for December 2011, December 2012 and December 2013 in China, as well as December 2013 in Romania were lower than the assumptions used due to the low costs of grain inventory.

The Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation technique are appropriate and reasonable. The Joint Sponsors held various discussions with JLL in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. As confirmed by JLL, the valuation of our hogs was conducted in accordance with International Accounting Standard 41 — Agriculture issued by the International Accounting Standards Board and with reference to the International Valuation Standards issued by the International Valuation Standards Council. JLL further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation technique are appropriate and reasonable.

Stock-take and internal control details

We have established standard protocols to ensure the headcount of our biological assets and the accuracy of other relevant information. We manage hogs in “lots” of the same age. Our procedures include tracking the number of hogs in each lot using a perpetual inventory system. We also use monthly stock take procedures to ensure that headcounts and other relevant information such as age-grouping and birth-record are accurately reflected in our enterprise resource planning system. These stock-takes include representatives from our finance department and hog farm management. Our perpetual inventory system tracks hogs when they are born (or otherwise placed into inventory), when they move into new stages of production and when they go to market. Hog mortality is also tracked on a weekly basis and reduces the perpetual headcount. A reconciliation of the hogs in each lot is performed when they are sold. Variances that exceed 1% are investigated thoroughly.

We have devised a comprehensive policy for biological asset management. Our biological asset management policy covers the management structures of our hog farms, relevant accounting policies, transferring among age groups, purchase and sales of hogs, breeding, record keeping and stock take, among other things. To facilitate the implementation of our biological asset management policy, we employ our proprietary enterprise resource planning systems in our U.S. operations to keep a comprehensive record of our hogs.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates or for the periods indicated.

	For the year ended December 31,		
	2011	2012	2013
Gross Profit Margin[(1)]	10.1%	15.6%	15.8%
Net Profit Margin[(2)]	2.4%	5.2%	(2.3%)
Return on Equity[(3)]	8.9%	19.5%	(12.9%)
Return on Total Assets[(4)]	5.1%	12.7%	(0.8%)
	As of December 31,		
	2011	2012	2013
Current Ratio[(5)]	1.05	1.61	1.83
Debt-to-Equity Ratio[(6)]	40.5%	7.6%	236.8%

Notes:

(1) Gross profit margin represents gross profit for the year divided by turnover. See the section headed "— Comparison of Consolidated Financial Information of Our Operations" for more details on our gross profit margins.

(2) Net profit margin represents net profit attributable to owners of the Company for the year divided by turnover.

(3) Return on equity represents net profit attributable to owners of the Company for the year divided by the average of the opening and closing balance of equity attributable to owners of the Company.

(4) Return on total assets represents the net profit for the year divided by the average total assets of the same period.

(5) Current ratio represents current assets divided by current liabilities as of the end of the period.

(6) Debt-to-equity ratio is calculated by dividing total borrowings and bank overdrafts by total equity as of the end of the period.

Return on equity

Our return on equity amounted to 8.9%, 19.5% and (12.9%) as of December 31, 2011, 2012 and 2013, respectively. The increase in our return on equity as of December 31, 2012 was primarily due to the significant increase in our profit for the year in 2012 following the recovery of our business from the lower sales volume following certain media reports that some hogs delivered to one of our processing plants in Henan Province had been fed feed materials containing clenbuterol hydrochloride. The decrease in our return on equity as of December 31, 2013 was due to our having a net loss for the year attributable to owners of the Company primarily as a result of our share-based payment expenses and legal and professional fees in connection with our acquisition of Smithfield.

Return on total assets

Our return on total assets amounted to 5.1%, 12.7% and (0.8%) as of December 31, 2011, 2012 and 2013, respectively. The increase in return on assets as of December 31, 2012 was primarily due to the significant increase in our profit for the year in 2012 following the recovery of the business from lower sales volume following media reports that some hogs delivered to one of our processing plants in Henan Province had been fed feed materials containing clenbuterol hydrochloride. The decrease in our return on total assets as of December 31, 2013 was due to our having a net loss for the year primarily as a result of our share-based payment expenses and materials in connection with our acquisition of Smithfield.

Current ratio

Our current ratio amounted to 1.05, 1.61 and 1.83 as of December 31, 2011, 2012 and 2013, respectively. The increase in current ratio from 1.05 as of December 31, 2011 to 1.61 as of December 31, 2012 was primarily due to the repayment of our borrowings as we no longer required the loans in relation to the deposit in connection with the tender offer by Rise Grand in 2011 for the shares of Shuanghui Development. Our current ratio increased from 1.61 as of December 31, 2012 to 1.83 as of December 31, 2013 primarily as a result of our acquisition of Smithfield.

Debt-to-equity ratio

Our debt-to-equity ratio amounted to 40.5%, 7.6% and 236.8% as of December 31, 2011, 2012 and 2013, respectively. The decrease in debt-to-equity ratio from 40.5% as of December 31, 2011 to 7.6% as of December 31, 2012 was primarily due to the repayment of our borrowings as we no longer required the loans used in relation to the deposit in connection with the tender offer by Rise Grand in 2011 for the shares of Shuanghui Development. Debt-to-equity ratio increased from 7.6% as of December 31, 2012 to 236.8% as of December 31, 2013 primarily as a result of the indebtedness we incurred and assumed in connection with our acquisition of Smithfield.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that after taking into account the existing financial resources available to us, the expected internally generated funds and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately US$82.9 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately US$60.4 million is expected to be capitalized after the Listing. The remaining approximately US$22.5 million fees and expenses was or is expected to be charged to our profit and loss accounts.

RECENT DEVELOPMENTS

Joint Tender Offer Bid with Sigma

We are currently seeking authorization from the Spanish securities regulator for a joint tender offer bid with Sigma for the shares of Campofrio. The authorization request was still pending as of the Latest Practicable Date. If the joint tender offer is completed, we will continue to hold an approximately 37% equity interest in Campofrio. Sigma owned a 45% equity interest in Campofrio as of the Latest Practicable Date, and will finance the purchase of any Campofrio shares that are tendered. For further information, see the section headed "History, Development and Corporate Structure — Our History — Investment in Campofrio".

Pre-IPO Share Option Scheme and Awards

We adopted the Pre-IPO Share Option Scheme. Summary details of the Pre-IPO Share Option Scheme are as follows: (i) Pre-IPO Share Options to subscribe for 584,795,555 Shares have been granted under the Pre-IPO Share Option Scheme, representing approximately 4.0% of the total issued Share capital of the Company upon completion of the Global Offering (assuming the Pre-IPO Share Options have been exercised in full); (ii) the Pre-IPO Share Option shall be exercisable at the Offer Price; (iii) the Pre-IPO Share Options are non-transferable and may not be pledged, mortgaged or otherwise encumbered; (iv) grantees under the Pre-IPO Share Option Scheme may exercise the Pre-IPO Share Options to subscribe for the Shares as follows: (a) one year after the Listing Date, up to 10%; (b) two years after the Listing Date, up to 25%; (c) three years after the Listing Date, up to 45%; (d) four years after the Listing Date, up to 70%; (e) five years after the Listing Date, all of the Pre-IPO Share Options are exercisable; and (v) the effectiveness of the Pre-IPO Share Option Scheme is subject to the commencement of the dealing of the Shares on the Stock Exchange. For additional details, please see section I in the Accountants' Report of the Group set out in Appendix IA to this prospectus and "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme".

We also adopted the 2010 Share Award Plan in November 2010 and the 2013 Share Award Plan in October 2013, under which we are authorized to award up to 631,580,000 Shares and 350,877,333 Shares, respectively, as incentives to our employees. We recognized a share-based payment expense of US$42 million and US$42 million for the years ended December 31, 2012 and 2013, respectively, in relation to the 2010 Share Award Plan. No Shares had been awarded under the 2013 Share Award Plan as of the Latest Practicable Date. Please see Note 39 to section E of the Accountants' Report of the Group set out in Appendix IA. In addition, we also alloted and issued in October 2013 an aggregate of 818,713,778 Shares, representing approximately 5.6% of the enlarged issued share capital of the Company upon completion of the Global Offering, to certain of our Directors as incentives. In relation to such share issuance to certain of our Directors, we recognized an aggregate expense of US$597 million in the year ended December 31, 2013. Please see Note 10 to section E of the Accountants'

Report of the Group set out in Appendix IA to this prospectus. For further information, also see "History, Development and Corporate Structure — Our History — History of our PRC Business — Share Issuance and Transfer to Chang Yun" of this prospectus and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Charges During Track Record Period — High Zenith" of this prospectus.

Subsequent to December 31, 2013, the date of the latest audited financial information appearing in this prospectus, and up to the Latest Practicable Date, there was no material adverse industry, market, operational (including sales performance) or regulatory development relating to our business or any other event that materially and adversely affected the Group's financial condition.

Our Merger with Smithfield

On September 26, 2013, we completed our acquisition of 100% of the equity interest in Smithfield. To finance the acquisition, we used the following sources of funds: (i) a drawdown of the Syndicated Term Loan (which has a total principal amount of US$4 billion); (ii) net proceeds from the issuance of the US$900 million aggregate principal amount of senior unsecured notes issued by Merger Sub on July 31, 2013, comprised of US$500 million aggregate principal amount of 5.250% senior notes due 2018 and US$400 million aggregate principal amount of 5.875% senior notes due 2021; (iii) drawings under certain existing loan and facility agreements of Smithfield; and (iv) cash on hand at the Company. For more information regarding the acquisition, please see the section headed "History, Development and Corporate Structure — Our History — Our Acquisition of Smithfield by Way of Merger — Merger with Smithfield." For financial information regarding Smithfield, please see the section headed "Financial Information — Smithfield."

Regulatory Disclosure Obligations of Shuanghui Development

Shuanghui Development, one of the Group's subsidiaries, is listed on the Shenzhen Stock Exchange in China. It is required to publish, among other things, quarterly interim financial reports containing unaudited financial information prepared in accordance with Accounting Standards for Business Enterprises ("PRC GAAP") issued by the Ministry of Finance of the PRC, in compliance with applicable PRC securities regulatory requirements. Shuanghui Development currently expects to release its quarterly interim financial report regarding the first quarter of 2014 before the end of April 2014. Our Directors currently expect that both turnover and gross profit of Shuanghui Development in the first quarter of 2014 will trend upward from those in the same period of the previous year, primarily reflecting higher sales volumes of packaged meat products and fresh pork in China. The actual results of Shuanghui Development may differ materially from current expectations. There is no assurance that the business, financial condition, results of operation and prospects of Shuanghui Development will continue to grow for the remainder of 2014 or beyond, or the business, financial condition, results of operation and prospects of the Group will grow during the same periods. Shuanghui Development will publish its quarterly interim financial reports on the website of the Shenzhen Stock Exchange.

Pursuant to the disclosure obligations under the applicable PRC laws and regulations, including but not limited to the listing rules of the Shenzhen Stock Exchange, Shuanghui Development is required to make a public announcement, in a timely manner, in the event of any incident which may potentially have a material impact on its share price. Shuanghui Development's disclosure of material

information is also required to be made to all investors in order to ensure fair dissemination of information, in compliance with the principle of fairness under the applicable PRC laws and regulations. Therefore, with respect of the publication of this prospectus, Shuanghui Development is required to make a corresponding public announcement in the PRC.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 45 to the Accountants' Report set forth in Appendix IA to this prospectus.

PENSION PLANS AND DEFINED BENEFIT SCHEMES

Company Sponsored Defined Benefit Pension Plans

Smithfield provides the majority of its U.S. employees with pension benefits. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

Smithfield uses an independent third-party actuary to assist in the determination of assumptions used and the measurement of its pension obligation and related costs. Smithfield reviews and selects the discount rate to be used in connection with its pension obligation annually. In determining the discount rate, Smithfield uses a hypothetical model that uses the yield on corporate bonds (rated AA or better) that coincides with the cash flows of the benefit plans' estimated benefit payouts. The model uses a yield curve approach to discount each cash flow of the liability stream at an interest rate specifically applicable to the timing of each respective cash flow. Using imputed interest rates, the model sums the present value of each cash flow stream to calculate an equivalent weighted average discount rate. Smithfield uses this resulting weighted average discount rate to determine its final discount rate.

To determine the expected long-term return on plan assets, Smithfield considers the current and anticipated asset allocations, as well as historical and estimated returns on various categories of plan assets. Long-term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary polices in order to assess the capital market assumptions. Actual results that differ from Smithfield's assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. Smithfield's 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 Smithfield's plan trustees.

Smithfield generally contributes the minimum amount required under U.S. government regulations to its U.S. tax-qualified pension plans, plus amounts necessary to maintain an 80% funded status in order to avoid benefit restrictions under the U.S. Pension Protection Act.

See Appendix IA and Appendix IB for additional information about Smithfield's Company Sponsored Defined Benefit Pension Plans.

Multiemployer Defined Benefit Pension Plans

In addition to the defined benefit pension plans sponsored by Smithfield, Smithfield contributes to several multiemployer defined benefit pension plans under collective bargaining agreements that cover certain of its union-represented employees.

See Appendix IB for additional information about Smithfield's Multiemployer Defined Benefit Pension Plans.

Other Employee Benefit Plans

Smithfield sponsors defined contribution pension plans ("**401(k) plans**") covering substantially all of its U.S. employees. Smithfield's contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for U.S. tax purposes. See Appendix IB for additional information about Smithfield's other employee benefit plans.

Our qualifying employees in Hong Kong participate in the Mandatory Provident Fund ("**MPF**") scheme in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of the 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$20,000 per annum (increased to HK$25,000 per annum effective from June 1, 2012). Contributions to the scheme vest immediately.

Employees of our PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. These 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 is to make the required contributions under the scheme.

The amounts charged to profit or loss of approximately US$24 million, US$29 million and US$39 million during the years ended December 31, 2011, 2012 and 2013, respectively, represent contributions paid or payable to the plans by the Group at rates specified under the rules of the respective plans.

MARKET AND OTHER FINANCIAL RISKS

We are, in the normal course of our business, exposed to various types of market and financial risks including but not limited to risks from changes in commodity prices, interest rate, foreign exchange rates, credit and liquidity. To mitigate these risks, we utilize derivative instruments to hedge our exposure to changing commodity prices, rates on debt instruments and currency exchange rates as more fully described in the sections entitled "Business — Raw Materials and Suppliers, Hedging and Inventory — Hedging" and "Financial Information — Smithfield — Derivative Financial

Instruments". We currently do not have a commodity price, interest rate hedging or currency exchange rate hedging policy in our China operations. However, our management monitors exposure and will consider appropriate measures to hedge against significant exposure of the Group should the need arise.

The following is a description of the principal market and financial risks that we face.

Market Risk

Fair value change of hogs and sensitivity analysis

During the Track Record Period, our results have been affected by fair value changes of our hogs. For further information about the methods used in valuing our hogs, see the section headed "— Valuation of Biological Assets."

The following table indicates the instantaneous change in the value of our hogs that would arise if the key inputs for valuation as of December 31, 2013 had changed at that date, assuming all other risk variables remained constant.

Key inputs change and fair value change

China
(RMB million)

Change	**-8%**	**-4%**	**-2%**	**-1%**	**+1%**	**+2%**	**+4%**	**+8%**
Hogs selling price . .	(12.7)	(6.4)	(3.2)	(1.6)	1.6	3.2	6.4	12.7
Breeding cost.	6.9	3.4	1.7	0.9	(0.9)	(1.7)	(3.4)	(6.9)

U.S.A.
(USD million)

Change	**-8%**	**-4%**	**-2%**	**-1%**	**+1%**	**+2%**	**+4%**	**+8%**
Hogs selling price . .	(58.0)	(29.0)	(14.5)	(7.2)	7.2	14.5	29.0	58.0
Breeding cost.	55.1	27.6	13.8	6.9	(6.9)	(13.8)	(27.6)	(55.1)

Poland
(USD million)

Change	**-8%**	**-4%**	**-2%**	**-1%**	**+1%**	**+2%**	**+4%**	**+8%**
Hogs selling price . .	(5.8)	(2.9)	(1.4)	(0.7)	0.7	(1.4)	2.9	5.8
Breeding cost.	5.3	2.6	1.3	0.7	(0.7)	(1.3)	(2.6)	(5.3)

Romania
(USD million)

Change	**-8%**	**-4%**	**-2%**	**-1%**	**+1%**	**+2%**	**+4%**	**+8%**
Hogs selling price . .	(3.7)	(1.9)	(0.9)	(0.5)	0.5	0.9	1.9	3.7
Breeding cost.	3.5	1.7	0.9	0.4	(0.4)	(0.9)	(1.7)	(3.5)

Foreign Currency Risk

Certain group entities with RMB as the functional currency have certain foreign currency sales, purchases, bank balances and cash and borrowings denominated in U.S. dollars and the Euro (“**EUR**”), which expose us to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of our foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	As of December 31,		
	2011	**2012**	**2013**
		(US$ million)	
Assets			
U.S. dollars			
Bank balances and cash	2	8	—+
Trade and bills and other receivables	3	3	2
EUR			
Bank balances and cash	—+	1	—+
Liabilities			
U.S. dollars			
Trade and bills and other payables	2	2	6
Borrowings	50	57	413
EUR			
Borrowings	1	1	4

A 5% increase or decrease in the foreign currencies against the functional currency of the respective individual group entities would have caused our profit for the year to decrease or increase by US$2 million, US$2 million and US$14 million in 2011, 2012 and 2013, respectively.

+ Less than US$1 million

Interest Rate Risk

Our fair value interest rate risk relates primarily to our available-for-sale investments and fixed interest-rate borrowings. We will consider hedging significant interest rate exposure should the need arise.

Our cash flow interest rate risk relates primarily to our floating rate borrowings, pledged bank deposits and bank balances, borrowings and bank overdrafts.

We use a 27 basis points increase or decrease to assess our interest rate risk for our non-derivative instruments in our operations in China and use a 25 basis points increase or decrease to assess our interest rate risk for our non-derivative instruments in our operations outside China. If interest rates had increased or decreased by 27 basis points in China or 25 basis points outside China and all the other variables were held constant, our profit for the year would have increased or decreased by US$1.6 million and US$1.8 million in 2011 and 2012, respectively, and decreased or increased by US$7.7 million in 2013.

Credit Risk

Our credit risk is primarily attributable to our trade and other receivables, bank balances and pledged bank deposits. We have an internal team responsible for determining credit limits, credit approvals and monitoring of procedures to ensure follow-up actions are taken to recover overdue debts. We also review the recoverable amount of each individual debt at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. We have no significant concentration of credit risk on trade and bills and other receivables, with exposure spread over a large number of counterparties and customers. Our credit risk on bank deposits is limited because our counterparties are financial institutions with good credit standing.

Liquidity Risk

We manage our liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. We had available unutilized banking facilities in the amount of US$57 million, US$140 million and US$1,164 million as of December 31, 2011, 2012 and 2013, respectively. Our trade and bills and other payables have maturities of zero to 180 days. The following table sets forth our remaining contractual maturities for our non-derivative financial liabilities.

	Weighted-average effective interest rate	On demand and 6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%				(US$ million)			
As of December 31, 2013								
Trade and bills payables.	—	851	—	—	—	—	851	851
Other payables. . . .	—	348	—	—+	—	—	348	348
Obligation under finance lease . . .	—	—+	1	1	3	21	26	26
Bank overdrafts . . .	5.60	76	—	—	—	—	76	76
Fixed-rates borrowings	5.90	299	114	12	1,190	1,884	3,499	2,887
Floating-rates borrowings	3.97	80	328	445	4,245	—	5,098	4,469
		1,654	443	458	5,438	1,905	9,898	8,657
Derivative financial liabilities	—	21	—+	—+	—+	—	21	21

	Weighted-average effective interest rate	On demand and 6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%				(US$ million)			
As of December 31, 2012								
Trade and bills payables.	—	225	—	—	—	—	225	225
Other payables. . . .	—	148	—	—	—	—	148	148
Fixed-rates borrowings	5.64	64	51	29	—+	3	147	138
Floating-rates borrowings	2.00	—+	57	—	—	—	57	56
		437	108	29	—	3	577	567

+ Less than US$1 million

	Weighted-average effective interest rate	On demand and 6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%				(US$ million)			
As of December 31, 2011								
Trade and bills payables.	—	274	26	—	—	—	300	300
Other payables. . . .	—	171	—	—	—	—	171	171
Fixed-rates borrowings	6.24	655	176	—+	7	2	840	817
Bank overdrafts . . .	6.10	47	—	—	—	—	47	47
		1,147	202	—+	7	2	1,358	1,335

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

After completion of the Global Offering, our Shareholders will be entitled to receive dividends declared by us. The declaration, payment and amount of dividends will be subject to the discretion of our Directors and will depend on our financial condition, earnings and capital requirements as well as contractual and legal restrictions and our ability to receive dividend payments from our subsidiaries in addition to other factors that our Directors deem relevant.

Subject to the factors described above, our Directors expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of no less than 30% of profits attributable to the equity holders of the parent (i.e., net profit). Cash dividends in respect of the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Company's Shareholders by any means our Directors deem legal, fair and practical.

In 2011, our subsidiary Shuanghui Development paid dividends of US$38 million to its public shareholders. In 2012, we paid dividends of US$56 million to the shareholders of the Company and US$47 million to the minority shareholders of the subsidiaries of the Company. Dividend payments made during the Track Record Period are not indicative of our future dividend policy.

Our distributable reserves as at December 31, 2013, representing the aggregate amount of share premium, translation reserve and retained profits of the Company as at the same date, amounted to US$557 million.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to the Company's shareholder prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the Global Offering on our consolidated total tangible assets less total liabilities of the Group attributable to owners of the

+ Less than US$1 million

Company as of December 31, 2013 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to owners of the Company as of December 31, 2013 or as of any subsequent date. It is based on the audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as of December 31, 2013 as shown in the accountants' report in Appendix IA to this prospectus, and adjusted as described below.

	Audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013[(1)]	**Estimated net proceeds from the Global Offering**[(2)]	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share**[(3)]	
	US$' million	*US$' million*	*US$' million*	*US$*	*HK$*[(4)]
Based on the Offer Price of HK$8.00 per Share	(1,239)	2,948	1,709	0.12	0.93
Based on the Offer Price of HK$11.25 per Share	(1,239)	4,154	2,915	0.20	1.55

Notes:

(1) The audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013 is based on the consolidated net assets of the Group of US$3,138 million adjusted for goodwill of US$1,835 million, intangible assets of US$1,679 million of the Group, and non-controlling interests of US$863 million as extracted from the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 2,923,980,000 Shares at the Offer Price of HK$8.00 and of HK$11.25, being the low-end or the high-end of the stated offer price range, per Offer Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of any Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme or any Shares which may be repurchased by the Company pursuant to the general mandates granted to our Directors. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into United States dollars at an exchange rate of HK$7.7589 to US$1.00, which was the rate prevailing on March 21, 2014. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis of a total of 14,619,891,111 Shares taking consideration of the effect of 11,695,911,111 outstanding Shares at December 31, 2013 and 2,923,980,000 Shares to be issued under the Global Offering. It does not take into account of any Shares which may be allotted and issued upon any exercise of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme or any Shares which may be repurchased by the Company pursuant to the general mandates granted to our Directors.

(4) No adjustment has been made to the audited consolidated total tangible assets less total liabilities of the Group attributable to the owners of the Company as at December 31, 2013 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since December 31, 2013.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

Set out below is the Unaudited Pro Forma Combined Financial Information of the Group including Smithfield (the "**Combined Group**"), representing the unaudited pro forma combined statement of profit or loss for the year ended December 31, 2013, which gives effect to the Merger as if the Merger had been completed on January 1, 2013 (the "**Unaudited Pro Forma Combined Financial Information**").

The Unaudited Pro Forma Combined Financial Information for the year ended December 31, 2013 is prepared based on the audited financial information of the Group for the year ended December 31, 2013 as set out in Appendix IA to this prospectus and the unaudited financial information of Smithfield for the period from January 1, 2013 to September 25, 2013 which was prepared in accordance with the accounting policies which conform with International Financial Reporting Standards and after having incorporated the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Combined Financial information of the Combined Group is based on a number of assumptions, estimates, uncertainties, and currently available information. As a result of these assumptions, estimates and uncertainties, the Unaudited Pro Forma Combined Financial Information of the Combined Group has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results of the Group that would have been attained had the acquisition been completed on January 1, 2013. Further, the Unaudited Pro Forma Combined Financial Information of the Combined Group does not purport to predict the Combined Group's future financial results.

Unaudited Pro Forma Combined Statement of Profit or Loss

For the year ended December 31, 2013

	Results before biological fair value adjustments				Biological fair value adjustments				Total						
		Pro forma adjustments				Pro forma adjustments				Pro forma adjustments					
	The Group US$' million	Smithfield Note (a) US$' million	Other adjustments US$' million	Pro forma Combined Group US$' million	The Group US$' million	Smithfield Note (a) US$' million	Other adjustments US$' million	Pro forma Combined Group US$' million	The Group US$' million	Smithfield Note (a) US$' million	Other adjustments US$' million	Notes	Pro forma Combined Group US$' million	Transaction cost adjustment Note (f) US$' million	Pro forma combined Group after exclusion of transaction cost US$' million
Turnover	11,253	10,002	(71)	21,184	—	—	—	—	11,253	10,002	(71)	(b)	21,184	—	21,184
Cost of sales	(9,457)	(8,585)	90	(17,952)	(23)	(53)	—	(76)	(9,480)	(8,638)	90	(b, c)	(18,028)	—	(18,028)
Gross profit	1,796	1,417	19	3,232	(23)	(53)	—	(76)	1,773	1,364	19		3,156	—	3,156
Distribution and selling expenses	(539)	(797)	—	(1,336)	—	—	—	—	(539)	(797)	—		(1,336)	—	(1,336)
Administrative expenses	(335)	(366)	(4)	(705)	—	—	—	—	(335)	(366)	(4)	(c)	(705)	—	(705)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest	—	—	—	—	17	107	—	124	17	107	—		124	—	124
Gain arising from changes in fair value less costs to sell of biological assets	—	—	—	—	47	29	—	76	47	29	—		76	—	76
Other income (expenses)	(703)	(18)	—	(721)	—	—	—	—	(703)	(18)	—		(721)	729	8
Other gains and losses	19	—	—	19	—	—	—	—	19	—	—		19	—	19
Finance costs	(120)	(121)	(135)	(376)	—	—	—	—	(120)	(121)	(135)	(d)	(376)	—	(376)
Share of profits of associates	6	2	—	8	—	—	—	—	6	2	—		8	—	8
Share of profits of joint ventures	(3)	3	—	—	—	—	—	—	(3)	3	—		—	—	—
Profit before taxation	121	120	(120)	121	41	83	—	124	162	203	(120)		245	729	974
Taxation	(214)	(19)	(3)	(236)	(15)	(28)	—	(43)	(229)	(47)	(3)	(e)	(279)	—	(279)
Profit (loss) for the year	(93)	101	(123)	(115)	26	55	—	81	(67)	156	(123)		(34)	729	695
Profit (loss) of the year attributable to															
- owners of the Company	(289)	101	(123)	(311)	26	55	—	81	(263)	156	(123)		(230)	729	499
- non-controlling interests	196	—	—	196	—	—	—	—	196	—	—		196	—	196
	(93)	101	(123)	(115)	26	55	—	81	(67)	156	(123)		(34)	729	695

Notes to the pro forma adjustments:

(a) The statement of profit or loss of Smithfield for the period from January 1, 2013 to September 25, 2013 is prepared by the management of Smithfield in accordance with the accounting policies adopted by the Group.

(b) The adjustment reflects the elimination of sales and purchases transactions between Smithfield and the Group for the period from January 1, 2013 to September 25, 2013.

(c) The adjustment reflects the change in depreciation of property, plant and equipment and amortisation of intangible assets of Smithfield arising from the relevant fair value adjustments upon acquisition for the period from January 1, 2013 to September 25, 2013, assuming the acquisition had been completed on January 1, 2013.

(d) The adjustment reflects the impact on finance costs arising from the fair value adjustments of Smithfield's borrowings as at September 26, 2013 due to the acquisition and the relevant financing solely for the purpose of the acquisition for the period from January 1, 2013 to September 25, 2013, assuming the acquisition had been completed on January 1, 2013.

(e) The adjustment reflects the tax impact of the pro forma adjustments described in notes (a) to (d) above.

Note to the exclusion of transaction cost:

If the one-off expenses and share-based payments directly attributable to the acquisition of Smithfield incurred by the Group totalling US$729 million were to be excluded, the loss for the year of the pro forma Combined Group of US$34 million would become a profit for the year of US$695 million.

You should read the following discussion and analysis of the financial condition and results of operations of Smithfield, which, subsequent to the Merger, are our U.S. and international operations, together with the consolidated financial statements and the accompanying notes set forth in Appendix IB to this prospectus. Smithfield's consolidated financial statements have been prepared in accordance with US GAAP. Prior to Smithfield's fiscal year for 2014, the fiscal year for Smithfield consisted of 52 or 53 weeks ending on the Sunday nearest April 30. Beginning in Smithfield's 2014 fiscal year, the fiscal year for Smithfield consists of 52 or 53 weeks and ends on the Sunday nearest December 31. All fiscal years presented in this discussion consisted of 52 weeks. Unless otherwise stated, the amounts presented in the following discussion are based on continuing operations for all fiscal periods included. Potential investors should read the whole of the financial statements and accompanying notes set forth in Appendix IB to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see the section headed "Risk Factors" in this prospectus.

ACQUISITION BY THE WH GROUP

We conduct our U.S. and international operations through Smithfield and its subsidiaries.

On September 26, 2013 (the "**Merger Date**"), pursuant to the Merger Agreement, Smithfield merged with Merger Sub. As a result of the Merger, Smithfield survived as a wholly owned subsidiary of the Company.

The Merger was accounted for as a business combination using the acquisition method of accounting in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification 805, Business Combinations. The Company's cost of acquiring Smithfield has been pushed down to establish a new accounting basis for Smithfield.

The preliminary allocation of consideration to the assets acquired and liabilities assumed by the Company in the Merger reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. Measurement period adjustments that Smithfield determines to be material will be applied retrospectively to the Merger Date.

The following is a summary of the preliminarily estimated fair values of the assets acquired and liabilities assumed:

	Fair value
	US$ million
Property, plant and equipment	2,530
Biological assets - non current	196
Intangible assets	1,403
Interest in associates	371
Interests in joint ventures	124
Biological assets - current	1,184
Inventories	1,322
Trade receivables	765
Prepayments and other receivables	211
Other non-current assets	144
Bank balances and cash	251
Trade payables	(535)
Accrued expenses and other payables	(547)
Borrowings and obligations under finance leases	(2,748)
Other long-term payables	(161)
Deferred tax liabilities	(658)
Pension liability	(571)
	3,281

Goodwill arising on acquisition:

	US$ million
Consideration transferred	4,903
Less: Net assets acquired	(3,281)
	1,622

Net cash outflow arising on acquisition:

	US$ million
Consideration transferred	(4,903)
Add: Bank balances and cash	251
	(4,652)

Accounts receivable and accounts payable, as well as certain other current and non-current assets and liabilities, were valued at their existing carrying values as they approximated fair value of those items at the time of the Merger, based on management's judgments and estimates.

Inventories were valued using a net realizable value approach with the exception of manufacturing supplies and other inventories, which were valued using the replacement cost approach.

Property, plant and equipment have been valued using a combination of the market approach and the indirect cost approach which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional, and economic factors.

Intangible assets acquired include trademarks, customer relations assets, contractual relationships and rights with fair values of US$1.3 billion, US$55.0 million, US$40.0 million and US$3.0 million, respectively. The customer relations assets, contractual relationships and rights will be amortized over useful lives of 14 years, 17 years and 12 years, respectively. The trademarks are not subject to amortization.

Trademarks have been valued using the relief from royalty method. Smithfield utilized a bottoms-up approach to assess the appropriate royalty rates for trade names focused on consideration of the profitability of each trade name, the implied premium margin earned on branded versus private label sales of similar products for each trade name, market studies, and third-party comparable licensing agreements.

Customer relations assets were determined using the multi-period excess earnings methodology utilizing our forecasted metrics and/or a market participant distributor model.

Contractual relationships were valued based on the time and associated costs that would be required to recreate the existing relationships in addition to the lost profits over this time period using the avoided costs or lost profits method. Rights were also valued using an avoided costs or lost profits method.

The benefit obligation for both Smithfield's qualified and non-qualified defined benefit pension plans was remeasured as of the Merger Date with the assistance of an independent third-party actuary.

Existing long-term debt assumed in the Merger was fair valued based on quoted market prices. Long-term debt assumed included Smithfield's outstanding 6.625% senior unsecured notes due August 2022 (the "**2022 Notes**") and Smithfield's outstanding 7.75% senior unsecured notes due July 2017 (the "**2017 Notes**").

Deferred income tax assets and liabilities as of the acquisition date represent the expected future tax consequences of temporary differences between the fair values of the assets acquired and the liabilities assumed as a result of the Merger and their tax basis.

Goodwill reflects the amount of the total consideration paid that exceeded the fair value of the identifiable assets acquired, liabilities assumed and non-controlling interests. Goodwill recognized as a result of the Merger has not been allocated to Smithfield's reportable segments as of October 27, 2013. The amount of goodwill relating to the Merger that is expected to be deductible for tax purposes has not yet been determined.

In connection with the Merger, Smithfield incurred US$38.7 million of professional fees in the six months ended October 27, 2013. These fees are recognized in merger-related costs on the consolidated condensed statements of income. In addition, the Merger Sub deferred US$17.3 million of debt issuance costs for a financing arrangement in the six months ended October 27, 2013. Smithfield recognized these deferred costs in interest expense during the Successor Period upon termination of the financing arrangement following the Merger. All of these charges are reflected in the results of Smithfield's Corporate segment.

PRINCIPAL FACTORS AFFECTING SMITHFIELD'S RESULTS OF OPERATIONS

WH Group merger

In connection with the Merger, Smithfield incurred US$20.7 million and US$18.0 million of professional fees during the Successor and Predecessor periods, respectively. These fees are recognized in merger-related costs on the consolidated condensed statements of income. In addition, the Merger Sub deferred US$17.3 million of debt issuance costs for a financing arrangement. Smithfield recognized these deferred costs in interest expense during the Successor Period upon termination of the financing arrangement following the Merger. All of these charges are reflected in the results of Smithfield's Corporate segment.

The WH Group's cost of acquiring Smithfield has been pushed-down to establish a new accounting basis for Smithfield. The preliminary allocation of consideration to the net tangible and intangible assets acquired and liabilities assumed by the WH Group in the Merger reflects preliminary fair value estimates based on management analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. Smithfield's earnings for the Successor Period were negatively impacted by US$17.1 million as a result of the fair value step-up of our assets and liabilities, including a US$24.8 million increase in cost of sales as a result of the fair value step-up of Smithfied's inventory.

Acquisition of Kansas City Sausage, LLC

In May 2013, Smithfield acquired a 50% interest in Kansas City Sausage Company, LLC ("**KCS**"), for US$36.0 million in cash. Upon closing, in addition to the cash purchase price, Smithfield advanced US$10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller. Additionally, Smithfield entered into a revolving loan agreement with KCS, under which Smithfield agreed to make loans from time to time up to an aggregate principal amount of US$20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS operates in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, KCS produces premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With Smithfield's

strong ongoing focus on building its packaged meats business and its 15% of the U.S. sow population, this joint venture is a logical fit for Smithfield. It is expected to provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and to allow Smithfield to expand its product offerings to customers.

Missouri litigation

During the Smithfield 2011 Fiscal Year, Smithfield reached a settlement with one of the insurance carriers regarding the reimbursement of certain past and future defense costs associated with the litigation in Missouri that involved a number of claims alleging that hog farms owned by us or operated under hog raising contracts with third parties interfered with the plaintiff's use and enjoyment of their properties (the "**Missouri Litigation**"). Related to this matter, Smithfield recognized a net benefit of US$19.1 million in selling, general and administrative expenses in the Hog Production segment in the Smithfield 2011 Fiscal Year.

During the Smithfield 2012 Fiscal Year, Smithfield engaged in global settlement negotiations and recognized US$22.2 million in net charges associated with the expected settlement. The charges were recognized in selling, general and administrative expenses in the Hog Production segment. During the Smithfield 2013 Fiscal Year, the parties to the litigation reached an agreement and consummated the global settlement.

Campofrio consolidation plan

In December 2011 (Smithfield 2012 Fiscal Year), the board of Campofrio approved a multi-year plan to consolidate and streamline its manufacturing operations to improve operating efficiencies and increase utilization (the "**Campofrio Consolidation Plan**"). The Campofrio Consolidation Plan included the disposal of certain assets, employee redundancy costs and the contribution of Campofrio's French cooked ham business into a newly formed joint venture. As a result, Smithfield recorded its share of Campofrio's charges totaling US$38.7 million in equity in loss (income) of affiliates within the International segment in the third quarter of the Smithfield 2012 Fiscal Year.

Fire insurance settlement

In July 2009 (Smithfield 2010 Fiscal Year), a fire occurred at the primary manufacturing facility of Smithfield's subsidiary, Patrick Cudahy, Inc. ("**Patrick Cudahy**"), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entire facility. Shortly after the fire, Smithfield resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Smithfield and third-party facilities.

Smithfield maintains comprehensive general liability and property insurance, including business interruption insurance. In December 2010 (Smithfield 2011 Fiscal Year), Smithfield reached an agreement with insurance carriers to settle the claim for a total of US$208.0 million, of which US$70.0 million had been advanced to Smithfield in the Smithfield 2010 Fiscal Year. Smithfield allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses

incurred and business interruption losses that resulted from the fire. The remaining proceeds were recognized as an involuntary conversion gain of US$120.6 million in the Corporate segment in the third quarter of the Smithfield 2011 Fiscal Year. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income. Smithfield also recognized US$15.8 million of the insurance proceeds in the Smithfield 2011 Fiscal Year in cost of sales in its Pork segment to offset business interruption losses incurred.

Hog production cost savings initiative

In the Smithfield 2010 Fiscal Year, Smithfield announced a plan to improve the cost structure and profitability of its U.S. domestic hog production operations (the "**Cost Savings Initiative**"). The plan included a number of undertakings designed to improve operating efficiencies and productivity. These consisted of farm reconfigurations and conversions, termination of certain high cost, third party hog grower contracts and breeding stock sourcing contracts, as well as a number of other cost reduction activities. The Cost Savings Initiative was completed in the Smithfield 2013 Fiscal Year. Smithfield incurred charges related to these activities totaling US$3.1 million and US$28.0 million in the Smithfield 2012 Fiscal Year and the Smithfield 2011 Fiscal Year, respectively. No significant charges were incurred during the Smithfield 2013 Fiscal Year. All charges have been recorded in cost of sales in the Hog Production segment.

Impairment and disposal of long-lived assets

Portsmouth, Virginia Plant

In November 2011 (Smithfield 2012 Fiscal Year), Smithfield announced that it would shift the production of hot dogs and lunch meat from The Smithfield Packing Company Incorporated's Portsmouth, Virginia plant to its Kinston, North Carolina plant and permanently close the Portsmouth facility. Smithfield announced that the Kinston facility would be expanded to handle the additional production and incorporate state-of-the-art technology and equipment, which is expected to produce significant production efficiencies and cost reductions. The Kinston expansion was expected to require an estimated US$85 million in capital expenditures, substantially all of which had been incurred by the end of the Smithfield 2013 Fiscal Year. The expansion of the Kinston facility and the closure of the Portsmouth facility were completed in the second half of calendar year 2013.

As a result of this decision, Smithfield performed an impairment analysis of the related assets at the Portsmouth facility in the second quarter of the Smithfield 2012 Fiscal Year and determined that the net cash flows expected to be generated over the anticipated remaining useful life of the plant were sufficient to recover its book value. As such, no impairment existed. However, Smithfield revised depreciation estimates to reflect the use of the related assets at the Portsmouth facility over their shortened useful lives. As a result, Smithfield recognized accelerated depreciation charges of US$4.4 million and US$3.3 million in cost of sales during the Smithfield 2013 Fiscal Year and the Smithfield 2012 Fiscal Year, respectively. Also, in connection with this decision, Smithfield wrote-down inventory by US$0.8 million in cost of sales and accrued US$0.6 million for employee severance in selling, general and administrative expenses in the second quarter of the Smithfield 2012 Fiscal Year. All of these charges are reflected in the Pork segment.

Hog Farms

Texas

In January 2011 (Smithfield 2011 Fiscal Year), Smithfield sold a portion of its Dalhart, Texas hog production assets to a crop farmer for net proceeds of US$9.1 million and recognized a loss on the sale of US$1.8 million in selling, general and administrative expenses in the Hog Production segment in the third quarter of the Smithfield 2011 Fiscal Year. In April 2011 (Smithfield 2011 Fiscal Year), Smithfield completed the sale of the remaining assets of our Dalhart, Texas operation and received net proceeds of US$32.5 million. As a result of the sale, Smithfield recognized a gain of US$13.6 million, after allocating US$8.5 million in goodwill to the asset group, in selling, general and administrative expenses in its Hog Production segment in the fourth quarter of the Smithfield 2011 Fiscal Year.

Oklahoma and Iowa

In January 2011 (Smithfield 2011 Fiscal Year), Smithfield completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, Smithfield received total net proceeds of US$70.4 million and recognized gains totaling US$6.9 million, after allocating US$17.0 million of goodwill to these asset groups. The gains were recorded in selling, general and administrative expenses in Hog Production segment in the third quarter of the Smithfield 2011 Fiscal Year.

Missouri

In the first half of the Smithfield 2011 Fiscal Year, Smithfield began reducing the hog population on certain hog farms in Missouri in order to comply with an amended consent decree. The amended consent decree allows Smithfield to return the farms to full capacity upon the installation of an approved "next generation" technology that would reduce the level of odor produced by the farms. The reduced hog-raising capacity at these farms was replaced with third party contract farmers in Iowa. In the first quarter of the Smithfield 2011 Fiscal Year, in connection with the anticipated reduction in finishing capacity, Smithfield performed an impairment analysis of these hog farms and determined that the book value of the assets was recoverable and thus, no impairment existed.

Based on the favorable hog raising performance experienced with these third party contract farmers and the amount of capital required to install "next generation" technology at its Missouri farms, Smithfield made the decision in the first quarter of the Smithfield 2012 Fiscal Year to permanently idle certain of the assets on these farms. Depreciation estimates were revised to reflect the shortened useful lives of the assets. As a result, Smithfield recognized accelerated depreciation charges of US$8.2 million in the Smithfield 2012 Fiscal Year. These charges are reflected in the Hog Production segment.

Butterball, LLC ("Butterball")

In June 2010 (Smithfield 2011 Fiscal Year), Smithfield announced that it had made an offer to purchase its joint venture partner's 51% ownership interest in Butterball and the partner's related turkey production assets. In accordance with Butterball's operating agreement, Smithfield's partner had to either accept the offer to sell or be required to purchase Smithfield's 49% interest and related turkey production assets.

In September 2010 (Smithfield 2011 Fiscal Year), Smithfield was notified of its joint venture partner's decision to purchase Smithfield's 49% interest in Butterball and related turkey production assets. In December 2010 (Smithfield 2011 Fiscal Year), Smithfield completed the sale of these assets for US$167.0 million and recognized a gain of US$0.2 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Inventories

Livestock are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of livestock that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh and packaged meats are valued based on market prices published by the USDA and other market prices and adjusted for the cost of further processing. Costs for fresh and packaged meats include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies principally consist of ingredients and packaging materials.

Revenue Recognition

Smithfield recognizes revenues from product sales upon delivery to customers or when title passes. Revenue is recorded at the invoice price for each product net of estimated returns and sales incentives provided to customers. Sales incentives include various rebate and trade allowance programs with our customers, primarily discounts and rebates based on achievement of specified volume or growth in volume levels.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows.

Goodwill and indefinite-lived intangible assets are tested for impairment annually in Smithfield's fourth fiscal quarter, or sooner if impairment indicators arise. In the evaluation of goodwill for impairment, Smithfield may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, a prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

The first step in the two-step impairment test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is estimated by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples is dependent upon assumptions regarding future

levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. When estimating future discounted cash flows, Smithfield considers the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on an industry-wide average cost of capital or location-specific economic factors. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Based on the results of Smithfield's annual goodwill impairment tests, as of each testing date, no impairment indicators were noted for the Smithfield Fiscal Years 2011, 2012 and 2013.

Intangible assets consist of the following:

		As of the end of Smithfield			
	Useful Life	**2011 Fiscal Year**	**2012 Fiscal Year**	**2013 Fiscal Year**	**As of October 27, 2013**
	(in Years)	**(US$ million)**			**(US$ million, unaudited)**
Amortized intangible assets:					
Customer relations assets	15-16	13.3	13.3	23.0	55.2
Patents, rights and leasehold interests	5-25	11.8	11.8	14.3	3.0
Contractual relationships	22	33.1	33.1	33.1	40.0
Accumulated amortization		(19.6)	(22.6)	(25.7)	(0.6)
Amortized intangible assets, net		38.6	35.6	44.7	97.6
Non-amortized intangible assets:					
Trademarks	Indefinite	341.9	340.1	339.6	1,308.7
Permits	Indefinite	6.1	6.1	6.1	—
Intangible assets, net		386.6	381.8	390.4	1,406.3

The fair values of trademarks are calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. If the carrying value of our indefinite-lived intangible assets exceeds their fair value, an impairment loss is recognized in an amount equal to that excess. Intangible assets with finite lives are reviewed for recoverability when indicators of impairment are present using estimated future undiscounted cash flows related to those assets. Smithfield has determined that no impairments of its intangible assets existed for any of the periods presented.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Sales

Sales primarily include sales of fresh pork, packaged meats, and live hogs in the U.S. domestic markets, as well as in other international markets such as Poland, Romania and the United Kingdom.

Cost of sales

Cost of sales consists primarily of the cost of raw materials, such as feed grains, live hogs and other food ingredients, cost of packaging materials, and production costs, such as labor costs, fuel and power costs, and depreciation of property and equipment used in production. The table below sets forth Smithfield's cost of sales for the periods indicated.

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended Oct. 28, 2012	Sep. 27 - Oct. 27, 2013	Apr. 29 - Sep. 26, 2013	Six months ended Oct. 27, 2013
	(US$ million)			(US$ million and unaudited)		(US$ million)	(US$ million and unaudited)
Raw materials	6,563.0	7,592.6	7,890.4	3,687.2	668.2	3,437.4	4,105.6
Labor	1,687.0	1,714.0	1,759.8	855.6	154.4	762.0	916.4
Outside storage and services	801.5	755.1	759.4	372.3	64.3	331.8	396.1
Freight	490.7	534.9	539.6	252.7	47.1	217.9	265.0
Depreciation, repairs and maintenance	406.9	424.9	436.5	207.6	36.5	199.8	236.3
Utilities	242.5	233.6	240.6	109.7	21.3	103.4	124.7
Others	297.0	289.8	275.1	123.0	55.0	137.8	192.8
Total	10,488.6	11,544.9	11,901.4	5,608.1	1,046.8	5,190.1	6,236.9

The increase in Smithfield's cost of sales during the periods presented above was due primarily to the increase in the costs of raw materials. The increase in the cost of raw materials from Smithfield 2011 Fiscal Year to Smithfield 2012 Fiscal Year was due primarily to the increase in U.S. live hog market prices and higher feed prices. The increase in the cost of raw materials from Smithfield 2012 Fiscal Year to Smithfield 2013 Fiscal Year was due primarily to higher hog feed costs. The increase in the cost of raw materials from the six months ended October 28, 2012 to the six months ended October 27, 2013 was due primarily to the increase in U.S. live hog prices.

Gross profit

Gross profit represents sales less cost of sales.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of distribution expenses, salaries and benefits, promotion and advertising expenses, depreciation and amortization of equipment and other overhead expenses.

Merger-related costs

Merger-related costs represent certain professional fees incurred in connection with the Merger.

Gain on fire insurance recovery

Gain on fire insurance recovery represents proceeds from a settlement of claims with insurance carriers in relation to a fire at one of Smithfield's manufacturing facilities in July 2009.

(Income) loss from equity method investments

(Income) loss from equity method investments represents income or losses from equity method investments, such as Smithfield's stakes in Campofrio and in joint ventures.

Operating profit

Operating profit represents Smithfield's gross profit, net of selling, general and administrative expenses, income or loss from equity method investments, as well as other one-off income or expenses.

Interest expense

Interest expenses consist primarily of interest paid on bonds, bank borrowings and other loans.

Loss on debt extinguishment

Loss on debt extinguishment represents losses arising from the early extinguishment of outstanding borrowings.

Income before income taxes

Income before income taxes represents operating profit, net of interest expense as well as loss on debt extinguishment.

Income tax expense

Income tax expense represents the sum of tax currently payable and deferred tax.

Net income

Net income represents income before income taxes, net of income taxes.

RESULTS OF OPERATIONS — SMITHFIELD

The table below includes, for the periods indicated, selected financial data derived from Smithfield's consolidated statement of income, the details of which are set forth in Appendix IB.

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended Oct. 28, 2012	Sep. 27 - Oct. 27, 2013	Apr. 29 - Sep. 26, 2013	Six months ended Oct. 27, 2013
	(US$ million)			(US$ million and unaudited)		(US$ million)	(US$ million and unaudited)
Sales	12,202.7	13,094.3	13,221.1	6,317.1	1,139.1	5,679.5	6,818.6
Cost of sales	10,488.6	11,544.9	11,901.4	5,607.6	1,046.8	5,190.1	6,236.9
Gross profit	1,714.1	1,549.4	1,319.7	709.5	92.3	489.4	581.7
Selling, general and administrative expenses	789.8	816.9	815.4	406.8	63.4	341.7	405.1
Merger-related costs	—	—	—	—	20.7	18.0	38.7
Gain on fire insurance recovery	(120.6)	—	—	—	—	—	—
(Income) loss from equity method investments	(50.1)	9.9	(15.0)	(7.4)	(1.2)	0.5	(0.7)
Operating profit	1,095.0	722.6	519.3	310.1	9.4	129.2	138.6
Interest expense	245.4	176.7	168.7	84.0	31.1	64.6	95.7
Loss on debt extinguishment	92.5	12.2	120.7	120.7	—	—	—
Income (loss) before income taxes	757.1	533.7	229.9	105.4	(21.7)	64.6	42.9
Income tax expense (benefit)	236.1	172.4	46.1	32.8	(5.1)	12.7	7.6
Net income (loss)	521.0	361.3	183.8	72.6	(16.6)	51.9	35.3

COMPARISON OF CONSOLIDATED FINANCIAL INFORMATION — SMITHFIELD

For the six months ended October 28, 2012 and October 27, 2013

Sales

The table below sets forth the sales and the percentage of sales attributable to major business segments of Smithfield for the six months ended October 28, 2012 and October 27, 2013.

	Six months ended	
	Oct. 28, 2012	Oct. 27, 2013
	(US$ million, unaudited)	
Pork		
Fresh pork	2,498.3	2,660.4
Packaged meats	2,822.2	3,081.9
Hog production	1,462.8	1,719.6
International	705.4	781.2
Total segment sales	7,488.7	8,243.1
Intersegment sales	(1,171.6)	(1,424.5)
Consolidated sales	6,317.1	6,818.6

Smithfield's consolidated sales increased by 7.9% from US$6,317.1 million in the six months ended October 28, 2012 to US$6,818.6 million in the six months ended October 27, 2013, primarily as the result of higher average selling prices in the Pork and Hog Production segments.

Fresh Pork

Fresh pork sales increased by 6.5% from US$2,498.3 million in the six months ended October 28, 2012 to US$2,660.4 million in the six months ended October 27, 2013. The increase was primarily due to a 6% increase in average selling prices, as U.S. live hog prices rose.

Packaged Meats

Packaged meats sales increased by 9.2% from US$2,822.2 million in the six months ended October 28, 2012 to US$3,081.9 million in the six months ended October 27, 2013. The increase was primarily due to a 10% increase in average selling prices as Smithfield continued efforts to enhance the market positioning and pricing of our packaged meats.

Hog Production

Hog production sales increased by 17.6% from US$1,462.8 million in the six months ended October 28, 2012 to US$1,719.6 million in the six months ended October 27, 2013, benefiting from a 12% increase in U.S. live hog prices and an increase in volume.

International

International sales increased by 10.7% from US$705.4 million in the six months ended October 28, 2012 to US$781.2 million in the six months ended October 27, 2013, due to a 17% increase in volume, which was partially offset by a 6% decrease in average selling prices. Sales were also higher by 3% as a result of fluctuations in foreign exchange rates.

Cost of sales

Cost of sales increased by 11.2% from US$5,607.6 million in the six months ended October 28, 2012 to US$6,236.9 million in the six months ended October 27, 2013, primarily as the result of a 12% increase in U.S. live hog raw material prices. Furthermore, the six months ended October 27, 2013 included an additional US$24.8 million in cost of sales as a result of the fair value step-up of inventory. On aggregate, cost of sales as a percentage of sales increased from 88.8% in the six months ended October 28, 2012 to 91.5% in the six months ended October 27, 2013.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by 18.0% from US$709.5 million in the six months ended October 28, 2012 to US$581.7 million in the six months ended October 27, 2013, and gross profit margin decreased from 11.2% in the six months ended October 28, 2012 to 8.5% in the six months ended October 27, 2013.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by 0.4% from US$406.8 million in the six months ended October 28, 2012 to US$405.1 million in the six months ended October 27, 2013, while these expenses as a percentage of sales decreased from 6.4% in the six months ended October 28, 2012 to 5.9% in the six months ended October 27, 2013.

Merger-related costs

Smithfield incurred professional fees of US$38.7 million in the six months ended October 27, 2013 as a result of the Merger.

(Income) loss from equity method investments

Income from equity method investments decreased from US$7.4 million in the six months ended October 28, 2012 to US$0.7 million in the six months ended October 27, 2013, primarily driven by lower selling prices in the meat processing operations and unfavorable foreign currency transaction losses at Smithfield's Mexican joint ventures.

Operating profit

As a result of the foregoing, operating profit decreased by 55.3% from US$310.1 million in the six months ended October 28, 2012 to US$138.6 million in the six months ended October 27, 2013, and operating profit margin decreased from 4.9% in the six months ended October 28, 2012 to 2.0% in the six months ended October 27, 2013.

Interest expense

Interest expense increased by 13.9% from US$84.0 million in the six months ended October 28, 2012 to US$95.7 million in the six months ended October 27, 2013. Interest expense for the six months ended October 27, 2013 includes US$17.3 million of debt issuance costs originally deferred by the Merger Sub.

Loss on debt extinguishment

In the six months ended October 28, 2012, Smithfield recognized losses of US$120.7 million on the repurchase of US$694.4 million of its outstanding senior notes due in May 2013 and July 2014.

Income before income taxes

As a result of the foregoing, income before income taxes decreased by 59.3% from US$105.4 million in the six months ended October 28, 2012 to US$42.9 million in the six months ended October 27, 2013, and income before income taxes margin decreased from 1.7% in the six months ended October 28, 2012 to 0.6% in the six months ended October 27, 2013.

Income tax expense

Income tax expense decreased by 76.8% from US$32.8 million in the six months ended October 28, 2012 to US$7.6 million in the six months ended October 27, 2013. Taxable income relative to permanent items, the mix of income between jurisdictions and state income tax credits for the six months ended October 27, 2013 impacted the effective tax rate, resulting in the effective tax rate decreasing significantly from 31.1% in the six months ended October 28, 2012 to 17.7% in the six months ended October 27, 2013.

Net income

As a result of the foregoing, net income decreased by 51.4% from US$72.6 million in the six months ended October 28, 2012 to US$35.3 million in the six months ended October 27, 2013, and net income margin decreased from 1.1% in the six months ended October 28, 2012 to 0.5% in the six months ended October 27, 2013.

For the fiscal years ended April 28, 2012 (Smithfield 2012 Fiscal Year) and April 29, 2013 (Smithfield 2013 Fiscal Year)

Sales

The table below sets forth the sales attributable to major business segments for the Smithfield Fiscal Years 2012 and 2013.

	Smithfield 2012 Fiscal Year	Smithfield 2013 Fiscal Year
	(US$ million, unaudited)	
Pork		
Fresh pork	5,089.4	4,924.1
Packaged meats	6,003.6	6,152.0
Hog production	3,052.6	3,135.1
International	1,466.7	1,468.5
Total segment sales	15,612.3	15,679.7
Intersegment sales	(2,518.0)	(2,458.6)
Consolidated sales	13,094.3	13,221.1

Smithfield's consolidated sales increased by 1.0% from US$13,094.3 million in the Smithfield 2012 Fiscal Year to US$13,221.1 million in the Smithfield 2013 Fiscal Year, as higher volumes across all segments were largely offset by lower U.S. fresh meat and hog market prices, as well as the negative effects of foreign currency translation.

Fresh Pork

Fresh pork sales decreased by 3.2% from US$5,089.4 million in the Smithfield 2012 Fiscal Year to US$4,924.1 million in the Smithfield 2013 Fiscal Year, as high pork supplies contributed to a 6% decrease in average fresh pork sales prices, which was partially offset by a 3% increase in volume.

Packaged Meats

Packaged meats sales increased by 2.5% from US$6,003.6 million in the Smithfield 2012 Fiscal Year to US$6,152.0 million in the Smithfield 2013 Fiscal Year, primarily due to a 4% increase in sales volumes across all trade channels. Lower average unit selling prices of private label products were largely offset by higher sales prices in Smithfield's core brands, with overall average selling prices decreasing slightly by 1%.

Hog Production

Hog production sales increased by 2.7% from US$3,052.6 million in the Smithfield 2012 Fiscal Year to US$3,135.1 million in the Smithfield 2013 Fiscal Year, benefiting from an increase in sales volume, which more than offset the impact of a 6% decrease in average finishing hog prices.

International

International sales increased by 0.1% from US$1,466.7 million in the Smithfield 2012 Fiscal Year to US$1,468.5 million in the Smithfield 2013 Fiscal Year. Despite growth in the underlying businesses in Poland and Romania, fluctuation in foreign exchange rates and their effect on foreign currency translation decreased sales by US$116.1 million.

Polish operations benefited from an 11% increase in sales volumes, offset by a 4% decrease in overall average selling prices due to higher contribution from lower value by-products. Meanwhile, Romanian operations benefited from the approval to export pork products to European Union member countries beginning in the fourth quarter of the Smithfield 2012 Fiscal Year, which led to a 13% increase in average unit selling prices and a 3% increase in sales volumes.

Cost of sales

Cost of sales increased by 3.1% from US$11,544.9 million in the Smithfield 2012 Fiscal Year to US$11,901.4 million in the Smithfield 2013 Fiscal Year, primarily caused by higher hog feed costs. Cost of sales as a percentage of sales increased from 88.2% in the Smithfield 2012 Fiscal Year to 90.0% in the Smithfield 2013 Fiscal Year.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by 14.8% from US$1,549.4 million in the Smithfield 2012 Fiscal Year to US$1,319.7 million in the Smithfield 2013 Fiscal Year, and gross profit margin decreased from 11.8% in the Smithfield 2012 Fiscal Year to 10.0% in the Smithfield 2013 Fiscal Year.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by 0.2% from US$816.9 million in the Smithfield 2012 Fiscal Year to US$815.4 million in the Smithfield 2013 Fiscal Year, while these expenses as a percentage of sales remained flat at 6.2% in the Smithfield 2012 Fiscal Year and the Smithfield 2013 Fiscal Year. Despite a US$26.4 million increase in pension and other post-retirement benefit expenses in the Smithfield 2013 Fiscal Year, selling, general and administrative expenses remained flat year-over-year due to certain one-off expenses incurred in the Smithfield 2012 Fiscal Year.

(Income) loss from equity method investments

Income (loss) from equity method investments increased from a US$9.9 million loss in the Smithfield 2012 Fiscal Year to income of a US$15.0 million income in the Smithfield 2013 Fiscal Year. The increase was primarily due to higher earnings from Campofrio in the Smithfield 2013 Fiscal Year, which was partially offset by a decline in results from the Mexican joint ventures due to higher feed costs, lower hog prices and lower meat sales volumes. In addition, Campofrio's results in the Smithfield 2012 Fiscal Year included US$38.7 million of charges related to the Campofrio Consolidation Plan.

Operating profit

As a result of the foregoing, operating profit decreased by 28.1% from US$722.6 million in the Smithfield 2012 Fiscal Year to US$519.3 million in the Smithfield 2013 Fiscal Year, and operating profit margin decreased from 5.5% in the Smithfield 2012 Fiscal Year to 3.9% in the Smithfield 2013 Fiscal Year.

Interest expense

Interest expense decreased by 4.5% from US$176.7 million in the Smithfield 2012 Fiscal Year to US$168.7 million in the Smithfield 2013 Fiscal Year, due to lower average interest rates resulting from the refinancing of the 10% senior secured notes due July 2014 (the "**2014 Notes**") and the 7.75% senior unsecured notes due May 2013 (the "**2013 Notes**").

Loss on debt extinguishment

Loss on debt extinguishment increased from US$12.2 million in the Smithfield 2012 Fiscal Year to US$120.7 million in the Smithfield 2013 Fiscal Year.

In the Smithfield 2012 Fiscal Year, Smithfield recognized losses of US$11.0 million on the repurchase of US$59.7 million of the 2014 Notes, as well as a loss of US$1.2 million in the first quarter of the Smithfield 2012 Fiscal Year associated with the refinancing of its working capital facilities in June 2011 (Smithfield 2012 Fiscal Year).

In the Smithfield 2013 Fiscal Year, Smithfield recognized losses of US$120.7 million on the repurchase of US$589.4 million of the 2014 Notes and US$105.0 million of the 2013 Notes.

Income before income taxes

As a result of the foregoing, income before income taxes decreased by 56.9% from US$533.7 million in the Smithfield 2012 Fiscal Year to US$229.9 million in the Smithfield 2013 Fiscal Year, and income before income taxes margin decreased from 4.1% in the Smithfield 2012 Fiscal Year to 1.7% in the Smithfield 2013 Fiscal Year.

Income tax expense

Income tax expense decreased by 73.3% from US$172.4 million in the Smithfield 2012 Fiscal Year to US$46.1 million in the Smithfield 2013 Fiscal Year. The decrease in the Smithfield 2013 Fiscal Year was due to (i) increased tax credits due in part to the passage of the American Taxpayer Relief Act of 2012, (ii) the release of US$11.1 million in deferred tax asset valuation allowances in the Smithfield 2013 Fiscal Year, primarily related to the utilization of tax losses in foreign jurisdictions, and (iii) higher contribution of earnings from foreign operations, which are taxed at lower rates. As a result, effective income tax rates decreased from 32.3% in the Smithfield 2012 Fiscal Year to 20.1% in the Smithfield 2013 Fiscal Year.

Net income

As a result of the foregoing, net income decreased by 49.1% from US$361.3 million in the Smithfield 2012 Fiscal Year to US$183.8 million in the Smithfield 2013 Fiscal Year, and net income margin decreased from 2.8% in the Smithfield 2012 Fiscal Year to 1.4% in the Smithfield 2013 Fiscal Year.

For the fiscal years ended May 1, 2011 (Smithfield 2011 Fiscal Year) and April 28, 2012 (Smithfield 2012 Fiscal Year)

Sales

The table below sets forth the sales attributable to Smithfield's major business segments for the Smithfield Fiscal Years 2011 and 2012.

	Smithfield 2011 Fiscal Year	**Smithfield 2012 Fiscal Year**
	(US$ million, unaudited)	
Pork		
Fresh pork	4,542.7	5,089.4
Packaged meats	5,721.2	6,003.6
Hog production	2,705.1	3,052.6
International	1,340.7	1,466.7
Other	74.7	—
Total segment sales	14,384.4	15,612.3
Intersegment sales	(2,181.7)	(2,518.0)
Consolidated sales	12,202.7	13,094.3

Smithfield's consolidated sales increased by 7.3% from US$12,202.7 million in the Smithfield 2011 Fiscal Year to US$13,094.3 million in the Smithfield 2012 Fiscal Year, primarily driven by higher sales prices and volumes in the Pork segment. These increases were attributable to higher market prices for fresh pork, strong export demand, and an improved sales mix in packaged meats to higher margin core brands.

Fresh Pork

Fresh pork sales increased by 12.0% from US$4,542.7 million in the Smithfield 2011 Fiscal Year to US$5,089.4 million in the Smithfield 2012 Fiscal Year, as a result of a 4% increase in volume and an 8% increase in average selling prices due to strong export demand.

Packaged Meats

Packaged meats sales increased by 4.9% from US$5,721.2 million in the Smithfield 2011 Fiscal Year to US$6,003.6 million in the Smithfield 2012 Fiscal Year, primarily due to a 5% increase in average selling prices as a result of improved sales mix in higher margin core brand products, as well as strong pricing discipline.

Hog Production

Hog production sales increased by 12.8% from US$2,705.1 million in the Smithfield 2011 Fiscal Year to US$3,052.6 million in the Smithfield 2012 Fiscal Year, benefiting from a 15% increase in live hog market prices. This was partially offset by a 4% decline in volume due to temporary disruptions from the implementation of the Cost Savings Initiative for hog production operations, as well as the sale of Oklahoma hog farms in the Smithfield 2012 Fiscal Year.

International

International sales increased by 9.4% from US$1,340.7 million in the Smithfield 2011 Fiscal Year to US$1,466.7 million in the Smithfield 2012 Fiscal Year. Sales in Poland were positively impacted by a 13% increase in average unit selling prices primarily due to a shift in product mix to more packaged meats. In addition, sales in Romania fresh pork operation were positively impacted by the approval to export pork products out of Romania to European Union member countries, which led to a 7% increase in average unit selling prices.

Other

Other sales were zero in the Smithfield 2012 Fiscal Year, compared to US$74.7 million in the Smithfield 2011 Fiscal Year. The change in sales reflects the sale of Smithfield's turkey operations, including its investment in Butterball, in December 2010 (Smithfield 2011 Fiscal Year).

Cost of sales

Cost of sales increased by 10.1% from US$10,488.6 million in the Smithfield 2011 Fiscal Year to US$11,544.9 million in the Smithfield 2012 Fiscal Year, while cost of sales as a percentage of sales increased from 86.0% in the Smithfield 2011 Fiscal Year to 88.2% in the Smithfield 2012 Fiscal Year. These increases were primarily due to significantly higher raw material costs across all segments. U.S. live hog market prices increased by approximately 15%, while U.S. raising costs increased 18% as a result of higher feed prices.

Furthermore, cost of sales in the Smithfield 2012 Fiscal Year included US$8.2 million and US$4.7 million of accelerated depreciation and other charges related to the idling of certain of the Missouri hog farm assets and the planned closure of the Portsmouth, Virginia meat processing plant, respectively. These amounts were, however, offset by a decrease in charges associated with the Cost Savings Initiative from US$28.0 million in the Smithfield 2011 Fiscal Year to US$3.1 million in the Smithfield 2012 Fiscal Year.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by 9.6% from US$1,714.1 million in the Smithfield 2011 Fiscal Year to US$1,549.4 million in the Smithfield 2012 Fiscal Year, and the gross profit margin decreased from 14.0% in the Smithfield 2011 Fiscal Year to 11.8% in the Smithfield 2012 Fiscal Year.

Selling, general and administrative expenses

Smithfield's selling, general and administrative expenses increased by 3.4% from US$789.8 million in the Smithfield 2011 Fiscal Year to US$816.9 million in the Smithfield 2012 Fiscal Year, while the expenses as a percentage of sales decreased from 6.5% in the Smithfield 2011 Fiscal Year to 6.2% in the Smithfield 2012 Fiscal Year. The increase in selling, general and administrative expenses were primarily due to US$22.2 million in net charges associated with the Missouri litigation in the Smithfield 2012 Fiscal Year compared to a net benefit of US$19.1 million in the Smithfield 2011 Fiscal Year, a one-off net gain of US$18.7 million in the Smithfield 2011 Fiscal Year on the sale of hog farms in Texas, Oklahoma and Iowa, a US$7.0 million increase in losses on foreign currency denominated transactions in the Smithfield 2012 Fiscal Year and the incurrence of US$6.4 million in professional fees in the Smithfield 2012 Fiscal Year related to the potential acquisition of a controlling interest in Campofrio. The increase in selling, general and administrative expenses was partially offset by a US$$29.9 million decrease in variable compensation expense due primarily to lower profitability levels in the Smithfield 2012 Fiscal Year and a US$19.6 million decrease in expense for pension and other post-retirement benefits.

(Income) loss from equity method investments

Income (loss) from equity method investments moved from a US$50.1 million income in the Smithfield 2011 Fiscal Year to a US$9.9 million loss in the Smithfield 2012 Fiscal Year, primarily due to Campofrio's results for the Smithfield 2012 Fiscal Year including US$38.7 million of charges related to the Campofrio Consolidation Plan. In addition, results from Smithfield's Mexican joint ventures were negatively impacted by higher feed costs and unfavorable changes in foreign exchange rates.

Operating profit

As a result of the foregoing, operating profit decreased by 34.0% from US$1,095.0 million in the Smithfield 2011 Fiscal Year to US$722.6 million in the Smithfield 2012 Fiscal Year, and operating profit margin decreased from 9.0% in the Smithfield 2011 Fiscal Year to 5.5% in the Smithfield 2012 Fiscal Year.

Interest expense

Interest expense decreased by 28.0% from US$245.4 million in the Smithfield 2011 Fiscal Year to US$176.7 million in the Smithfield 2012 Fiscal Year as a result of the debt reduction initiatives, under which Smithfield redeemed more than US$1 billion of debt from the first quarter of the Smithfield 2011 Fiscal Year to the end of the Smithfield 2012 Fiscal Year.

Loss on debt extinguishment

Loss on debt extinguishment decreased from US$92.5 million in the Smithfield 2011 Fiscal Year to US$12.2 million in the Smithfield 2012 Fiscal Year.

In the Smithfield 2012 Fiscal Year, Smithfield recognized losses of US$11.0 million on the repurchase of US$59.7 million of the 2014 Notes, as well as a loss of US$1.2 million associated with the refinancing of working capital facilities in June 2011 (Smithfield 2012 Fiscal Year).

In the Smithfield 2011 Fiscal Year, Smithfield recognized losses of US$92.5 million on the repurchase of US$522.2 million of the 7% senior unsecured notes due August 2011 (the "**2011 Notes**"), US$200.9 million of the 2014 Notes and US$190.0 million of the 2013 Notes.

Income before income taxes

As a result of the foregoing, income before income taxes decreased by 29.5% from US$757.1 million in the Smithfield 2011 Fiscal Year to US$533.7 million in the Smithfield 2012 Fiscal Year, and income before income taxes margin decreased from 6.2% in the Smithfield 2011 Fiscal Year to 4.1% in the Smithfield 2012 Fiscal Year.

Income tax expense

Income tax expense decreased by 27.0% from US$236.1 million in the Smithfield 2011 Fiscal Year to US$172.4 million in the Smithfield 2012 Fiscal Year, primarily due to the decrease in profits in the Smithfield 2012 Fiscal Year. Effective income tax rates remained relatively steady at 31.2% in the Smithfield 2011 Fiscal Year and 32.3% in the Smithfield 2012 Fiscal Year.

Net income

As a result of the foregoing, net income decreased by 30.7% from US$521.0 million in the Smithfield 2011 Fiscal Year to US$361.3 million in the Smithfield 2012 Fiscal Year, and net income margin decreased from 4.3% in the Smithfield 2011 Fiscal Year to 2.8% in the Smithfield 2012 Fiscal Year.

Segment Results

The table below sets forth the results of Smithfield's operating segments for the periods indicated:

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended Oct. 28, 2012	Sep. 27 - Oct. 27, 2013	Apr. 29 - Sep. 26, 2013	Six months ended Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)		(US$ million)	(US$ million, unaudited)
Sales:							
Pork							
Fresh pork	4,542.7	5,089.4	4,924.1	2,498.3	420.1	2,240.3	2,660.4
Packaged meats	5,721.2	6,003.6	6,152.0	2,822.2	540.2	2,541.7	3,081.9
Hog production	2,705.1	3,052.6	3,135.1	1,462.8	280.5	1,439.1	1,719.6
International	1,340.7	1,466.7	1,468.5	705.4	137.6	643.6	781.2
Other	74.7	—	—	—	—	—	—
Total segment sales	14,384.4	15,612.3	15,679.7	7,488.7	1,378.4	6,864.7	8,243.1
Intersegment sales	(2,181.7)	(2,518.0)	(2,458.6)	(1,171.6)	(239.3)	(1,185.2)	(1,424.5)
Consolidated sales	12,202.7	13,094.3	13,221.1	6,317.1	1,139.1	5,679.5	6,818.6
Operating profit(1)							
Pork							
Fresh pork	406.5	222.0	161.6	82.7	18.4	(50.7)	(32.3)
Packaged meats	346.9	401.7	470.0	230.2	15.0	149.2	164.2
Hog production	224.4	166.1	(119.1)	(9.5)	(1.5)	81.4	79.9
International	115.9	42.8	108.2	56.7	5.8	15.9	21.7
Other	(2.4)	—	—	—	—	—	—
Corporate	3.7	(110.0)	(101.4)	(50.0)	(28.3)	(66.6)	(94.9)
Consolidated operating profit	1,095.0	722.6	519.3	310.1	9.4	129.2	138.6

Notes:

(1) Fresh pork and packaged meats operating profits represent Smithfield management's estimated allocation of total Pork segment operating profit.

For the six months ended October 28, 2012 and October 27, 2013

Fresh Pork

Operating profit for Fresh Pork decreased from US$82.7 million in the six months ended October 28, 2012 to a loss of US$32.3 million in the six months ended October 27, 2013, primarily as a result U.S. live hog prices increasing by 12% while average selling prices of fresh pork increased by only 6%.

Packaged Meats

Operating profit for Packaged Meats decreased by 28.7% from US$230.2 million in the six months ended October 28, 2012 to US$164.2 million in the six months ended October 27, 2013, as a 10% increase in average selling prices was more than offset by higher raw material costs.

Hog Production

Operating profit for Hog Production rebounded from a loss of US$9.5 million in the six months ended October 28, 2012 to a profit of US$79.9 million in the six months ended October 27, 2013, primarily due to a 12% increase in U.S. live hog prices and a 4% increase in volume.

International

Operating profit for International decreased by 61.7% from US$56.7 million in the six months ended October 28, 2012 to US$21.7 million in the six months ended October 27, 2013, due to increases in raising costs of 12% and 13% in Poland and Romania, respectively, as well as lower equity income from Smithfied's Mexican joint ventures. These decreases were partially offset by favorable fluctuations in foreign exchange rates.

Corporate

Operating loss for Corporate includes fees related to the Merger.

For the fiscal years ended April 28, 2012 (Smithfield 2012 Fiscal Year) and April 29, 2013 (Smithfield 2013 Fiscal Year)

Fresh Pork

Operating profit for Fresh Pork decreased by 27.2% from US$222.0 million in the Smithfield 2012 Fiscal Year to US$161.6 million in the Smithfield 2013 Fiscal Year, with per head operating profit decreasing from US$8 per head to US$6 per head due primarily to lower sales price.

Packaged Meats

Operating profit for Packaged Meats increased by 17.0% from US$401.7 million in the Smithfield 2012 Fiscal Year to US$470.0 million in the Smithfield 2013 Fiscal Year, with per pound operating profit increasing from US$0.15 per pound to US$0.17 per pound primarily from lower raw material costs.

Hog Production

Operating profit for Hog Production decreased from US$166.1 million in the Smithfield 2012 Fiscal Year to a loss of US$119.1 million in the Smithfield 2013 Fiscal Year. The decrease was due to a 6% decrease in live hog prices as a result of higher hog supplies in the market, which was further underpinned by increased costs due to higher feed prices.

Smithfield 2012 Fiscal Year operating profit was reduced by US$22.2 million in net charges associated with the Missouri litigation, as well as accelerated depreciation charges of US$8.2 million as a result of Smithfield's decision to permanently idle certain farm assets in Missouri.

International

Operating profit for International increased by 152.8% from US$42.8 million in the Smithfield 2012 Fiscal Year to US$108.2 million in the Smithfield 2013 Fiscal Year. The increase was due to strong underlying performance of operations in Poland and Romania, which were partially offset by lower equity income from Smithfield's Mexican joint ventures, as well as unfavorable changes in foreign exchange rates.

Sales and operating profit in the Polish operations benefited from significantly higher volumes in the Smithfield 2013 Fiscal Year, which was offset by lower average unit selling price compared to the prior year.

Sales and operating profit in the Romanian operations improved on significantly higher average unit selling prices and sales volumes, which benefitted from the approval to export pork products to European Union member countries beginning in the fourth quarter of the Smithfield 2012 Fiscal Year.

Corporate

Operating loss for Corporate decreased by 7.8% from US$110.0 million in the Smithfield 2012 Fiscal Year to US$101.4 million in the Smithfield 2013 Fiscal Year. Smithfield 2012 Fiscal Year included US$6.4 million of professional fees related to the potential acquisition of a controlling interest in Campofrio. In June 2011 (Smithfield 2012 Fiscal Year), Smithfield terminated negotiations to purchase the additional interest.

For the fiscal years ended May 1, 2011 (Smithfield 2011 Fiscal Year) and April 28, 2012 (Smithfield 2012 Fiscal Year)

Fresh Pork

Operating profit for Fresh Pork decreased by 45.4% from US$406.5 million in the Smithfield 2011 Fiscal Year to US$222.0 million in the Smithfield 2012 Fiscal Year, with per head operating profit decreasing from a record US$15 per head to US$8 per head, as live hog prices increased significantly more than fresh pork prices.

Packaged Meats

Operating profit for Packaged Meats increased by 15.8% from US$346.9 million in the Smithfield 2011 Fiscal Year to US$401.7 million in the Smithfield 2012 Fiscal Year, with per pound operating profit increasing from US$0.13 per pound to US$0.15 per pound as a result of (i) strong pricing discipline, (ii) improved product mix to higher margin core brands, and (iii) lower variable compensation and pension-related expenses, which more than offset the impact of higher raw material costs.

Hog Production

Operating profit for Hog Production decreased by 26.0% from US$224.4 million in the Smithfield 2011 Fiscal Year to US$166.1 million in the Smithfield 2012 Fiscal Year. While sales and operating profit were positively impacted by significantly higher live hog market prices, volumes declined due to temporary disruptions from the Cost Savings Initiative and the sale of the Oklahoma hog farms at the end of the third quarter of the Smithfield 2011 Fiscal Year. Raising costs also increased in the Smithfield 2012 Fiscal Year, primarily as a result of higher feed costs.

Other factors affecting operating profit in the Smithfield 2011 Fiscal Year and the Smithfield 2012 Fiscal Year include US$22.2 million in net charges in the Smithfield 2012 Fiscal Year associated with the Missouri Litigation compared to a US$19.1 million net benefit in the Smithfield 2011 Fiscal Year, US$8.2 million in accelerated depreciation charges in the Smithfield 2012 Fiscal Year as a result of decision to permanently idle certain farm assets in Missouri, US$3.1 million in charges in the Smithfield 2012 Fiscal Year associated with the Cost Savings Initiative compared to US$28.0 million in the Smithfield 2011 Fiscal Year and net gain of US$18.7 million in the Smithfield 2011 Fiscal Year on the sale of hog farms in Oklahoma, Iowa and Texas.

International

Operating profit for International decreased by 63.1% from US$115.9 million in the Smithfield 2011 Fiscal Year to US$42.8 million in the Smithfield 2012 Fiscal Year. The decrease was primarily due to weaker performance and unfavorable changes in foreign exchange rates from operations in Poland, Romania and Mexico, as well as a US$38.7 million of charges in the Smithfield 2012 Fiscal Year related to the Campofrio Consolidation Plan.

Operating profit in Poland benefited from higher average unit selling prices, but this was more than offset by higher raw material costs.

Operating profit in Romania improved on the back of increased volume and average unit selling prices, but these factors were more than offset by increased losses in our distribution operations and an unfavorable US$8.4 million impact from foreign currency exposure.

Other

The operating loss in Other in the Smithfield 2011 Fiscal Year reflects the sale of turkey operations, including the investment in Butterball, in December 2010 (Smithfield 2011 Fiscal Year).

Corporate

Operating results for Corporate decreased from a profit of US$3.7 million in the Smithfield 2011 Fiscal Year to a loss of US$110.0 million in the Smithfield 2012 Fiscal Year.

Smithfield 2012 Fiscal Year included US$6.4 million of professional fees related to the potential acquisition of a controlling interest in Campofrio. In June 2011 (Smithfield 2012 Fiscal Year),

Smithfield terminated negotiations to purchase the additional interest. This was, however, offset by a decline of US$9.0 million in variable compensation cost as a result of lower consolidated profit levels in the Smithfield 2012 Fiscal Year, while expenses for pension and other post-retirement benefits decreased by US$4.1 million.

Operating profit in the Smithfield 2011 Fiscal Year was largely due to a one-off gain of US$120.6 million on the final settlement with our insurance carriers of our claim related to the fire that occurred at the Cudahy, Wisconsin facility in the Smithfield 2010 Fiscal Year.

LIQUIDITY AND CAPITAL RESOURCES

Summary

Cash requirements of Smithfield consist primarily of the purchase of raw materials used in hog production and pork processing operations, long-term debt obligations and related interest, lease payments for real estate, machinery, vehicles and other equipment, and expenditures for capital assets, other investments and other general business purposes. Primary sources of liquidity are cash Smithfield receives as payment for the products it produces and sells, as well as credit facilities.

On July 31, 2013, Merger Sub issued US$500.0 million aggregate principal amount of 5.25% unsecured senior notes due August 1, 2018 and US$400.0 million aggregate principal amount of 5.875% unsecured senior notes due August 1, 2021 (together, the "**Merger Sub Notes**"). Merger Sub incurred US$20.4 million in transaction fees in connection with issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection with it, Smithfield assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used in funding the Merger. The proceeds were used to fund a portion of the total consideration paid, repay certain outstanding debt of Smithfield and pay certain transaction fees associated with the Merger.

Sources of liquidity

Smithfield has available a variety of sources of liquidity and capital resources, both internal and external. These resources provide funds required for current operations, acquisitions, integration costs, debt retirement and other capital requirements.

Accounts receivable and inventories

The meat processing industry is characterized by high sales volume and rapid turnover of inventories and accounts receivable. Because of the rapid turnover rate, Smithfield considers the meat inventories and accounts receivable highly liquid and readily convertible into cash. The Hog Production segment also has rapid turnover of accounts receivable. Although inventory turnover in the Hog Production segment is slower, mature hogs are readily convertible into cash. Borrowings under credit facilities are used, in part, to finance increases in the levels of inventories and accounts receivable resulting from seasonal and other market-related fluctuations in raw material costs.

Credit facilities

Facility	October 27, 2013 Capacity	Outstanding Letters of Credit	Outstanding Borrowings	Amount Available
	(US$ million, unaudited)			
Inventory revolver	1,025.0	—	(485.0)	540.0
Securitization facility	275.0	(90.3)	(120.0)	64.7
International facilities	144.8	—	(81.9)	62.9
Total credit facilities	1,444.8	(90.3)	(686.9)	667.6

Cash flows

The following table sets forth selected cash flow data from Smithfield's consolidated cash flow statements for the periods indicated.

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended Oct. 28, 2012	Sep. 27 - Oct. 27, 2013	Apr. 29 - Sep. 26, 2013	Six months ended Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)		(US$ million)	(US$ million, unaudited)
Net cash flows from (used in) operating activities	616.4	570.1	172.7	(190.5)	(41.9)	(25.8)	(67.7)
Net cash flows from (used in) investing activities	254.3	(286.6)	(303.7)	(153.5)	(4,907.0)	(186.2)	(5,093.2)
Net cash flow from (used in) financing activities	(945.6)	(328.4)	115.7	144.3	4,830.5	151.7	4,982.2
Effect of foreign exchange rate changes on cash	(1.6)	(5.5)	1.6	(1.0)	2.0	0.2	2.2
Net change in cash and cash equivalents	(76.5)	(50.4)	(13.7)	(200.7)	(116.4)	(60.1)	(176.5)

Operating activities

Net cash flows used in operating activities were US$67.7 million in the six months ended October 27, 2013, primarily reflecting US$26.1 million paid for the settlement of derivative contracts and for margin requirements and an increase in cash paid to outside hog suppliers due to a 12% increase in U.S. live hog market prices. These amounts were partially offset by an increase in cash Smithfield received from customers due to the increase in the average selling prices in Smithfield's pork segment.

Net cash flows from operating activities were US$172.7 million in the Smithfield 2013 Fiscal Year, as cash paid for grain and other feed ingredients purchased by the Hog Production segment

increased approximately US$372 million, while cash received for the settlement of commodity derivative contracts and for margin requirements decreased US$103.4 million in the Smithfield 2013 Fiscal Year and cash received from customers decreased primarily as a result of lower U.S. selling prices. In addition, Smithfield paid cash to settle the Missouri litigation in the Smithfield 2013 Fiscal Year, while expenditures for advertising increased as part of the strategy to build brand equity and grow sales. These items were partially offset by a decrease in cash paid to outside hog suppliers due to a 6% decrease in average U.S. live hog market prices, while income tax payments decreased US$$222.0 million as a result of significant tax refunds during the first quarter of the Smithfield 2013 Fiscal Year and lower U.S. taxable income. Finally, we contributed US$17.7 million to our qualified and non-qualified pension plans in the Smithfield 2013 Fiscal Year.

Net cash flows from operating activities were US$570.1 million in the Smithfield Fiscal Year 2012. Cash paid to outside hog suppliers was higher due to a 15% increase in average live hog market prices. In addition, the Smithfield Fiscal Year 2012 included net tax payments of US$225.7 million compared to net refunds of US$34.8 million in the prior year. Cash paid for grain and other feed ingredients purchased by the Hog Production segment increased approximately US$262 million. Variable compensation paid in the Smithfield Fiscal Year 2012 related to the prior year's performance was higher than the corresponding amount paid in the Smithfield Fiscal Year 2011. We contributed US$142.8 million to our qualified and non-qualified pension plans in the Smithfield Fiscal Year 2012 compared to US$128.5 million in the Smithfield Fiscal Year 2011. Cash received from customers increased primarily as a result of higher selling prices. Cash received for the settlement of commodity derivative contracts and for margin requirements increased US$82.0 million.

Net cash flows from operating activities were US$616.4 million in the Smithfield Fiscal Year 2011. Cash received from customers increased due to higher selling prices on fresh pork, packaged meats and live hogs. Cash received for the settlement of commodity derivative contracts and for margin requirements increased US$315.9 million. We received cash dividends from Campofrio of approximately US$3.4 million in the Smithfield Fiscal Year 2011 compared to US$16.6 million in the Smithfield Fiscal Year 2010. Cash paid to outside hog suppliers was significantly higher than the prior year due to a 29% increase in average domestic live hog market prices. Cash paid for grain purchased by the Hog Production segment was approximately US$139.1 million higher than the prior year due to increased feed prices. We contributed US$128.5 million to our qualified and non-qualified pension plans in the Smithfield Fiscal Year 2011 compared to US$73.9 million in the Smithfield Fiscal Year 2010. In the Smithfield Fiscal Year 2011, we transferred a total US$27.2 million of cash to our workers compensation service providers to replace letters of credit previously held as collateral in these arrangements.

Investing activities

Net cash flows used in investing activities were US$5,093.2 million in the six months ended October 27, 2013, primarily reflecting the US$4.9 billion we paid in connection with the Merger. In addition, Smithfield paid US$153.6 million in capital expenditures, primarily in relation to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens. Smithfield also paid US$32.8 million, net of cash acquired, for a 50% interest in KCS and advanced US$10.0 million to the seller of KCS in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller.

Net cash flows used in investing activities were US$303.7 million in the Smithfield 2013 Fiscal Year, primarily due to capital expenditure related to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens. In particular, capital expenditure included US$45.9 million related to the Kinston, North Carolina plant expansion project. Smithfield also paid US$24.0 million, net of cash acquired, for a 70% interest in American Skin Food Group, LLC in the Smithfield 2013 Fiscal Year.

Net cash flows used in investing activities were US$286.6 million in the Smithfield 2012 Fiscal Year, primarily due to capital expenditures of US$290.7 million. In particular, capital expenditures included US$32.8 million related to our Kinston, North Carolina plant expansion project and US$30.9 million related to the Cost Savings Initiative.

Net cash flows from investing activities were US$254.3 million in the Smithfield 2011 Fiscal Year, primarily due to disposition proceeds from the sale of investment in Butterball, LLC and related turkey production assets and proceeds from the sale of hog operations in Texas, Oklahoma and Iowa, as well as insurance proceeds from the gain on involuntary conversion of property, plant and equipment due to the Patrick Cudahy fire upon the final settlement of claims with insurance carriers in the third quarter of the Smithfield 2011 Fiscal Year. In addition, proceeds from the sale of property, plant and equipment includes US$9.1 million from the sale of farm land in Texas. These items were partially offset by capital expenditure primarily related to plant and hog farm improvement projects, including approximately US$44.0 million related to the Cost Savings Initiative.

Financing activities

Net cash flows from financing activities were US$4,982.2 million in the six months ended October 27, 2013, primarily reflecting the US$4.2 billion, net of certain transaction costs, Smithfield received in equity contributions from WH Group in connection with the Merger and US$900.0 million from the issue of US$500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and US$400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021. Smithfield also received US$170.0 million from the Securitization Facility. These amounts were partially offset by Smithfield's repayments of long-term debt and capital lease obligations in the amount of US$659.2 million and the Securitization Facility in the amount of US$50.0 million.

Net cash flows from financing activities were US$115.7 million in the Smithfield 2013 Fiscal Year, primarily due to Smithfield issuing US$1.0 billion of its 2022 Notes in August 2012 at a price equal to 99.5% of their face value. This was partially offset by Smithfield using US$804.9 million of the US$981.2 million in net proceeds from the offering of the 2022 Notes to repurchase the remaining US$589.4 million of its 2014 Notes and US$105.0 million of its 2013 Notes. In addition, Smithfield repurchased 19,068,079 shares of its common stock for US$386.4 million. Smithfield also incurred US$18.0 million in transaction fees in connection with the issuance of the 2022 Notes, which are being amortized over their ten-year life.

Net cash flows used in financing activities were US$328.4 million in the Smithfield 2012 Fiscal Year, primarily due to the reduction in debt repayment as in the Smithfield 2011 Fiscal Year. In the Smithfield 2012 Fiscal Year, Smithfield redeemed the remaining US$77.8 million of its 2011 Notes and repurchased US$59.7 million of its 2014 Notes. Smithfield also repurchased 9,176,704 shares of

its common stock for US$189.5 million as part of the Share Repurchase Program. Finally, Smithfield paid US$11.0 million of debt issuance costs in connection with the refinancing of our asset-based revolving credit agreement. These items were partially offset by Smithfield receiving US$20.0 million of cash previously held in a deposit account to serve as collateral for overdrafts on certain of its bank accounts and US$3.9 million of cash from the counterparty of its interest rate swap contract which expired in August 2011.

Net cash flows used in financing activities were US$945.6 million in the Smithfield 2011 Fiscal Year, primarily due to various debt repayments made by Smithfield in the period, including i) repurchasing the 2011 Notes through open market purchases as well as a tender offer; ii) repurchasing US$190.0 million and US$200.9 million of its 2013 Notes and its 2014 Notes, respectively, as a result of a tender offer that expired on February 9, 2011; iii) repaying US$16.2 million in outstanding notes payable; and iv) repaying US$30.1 million on outstanding loans in the International segment. Smithfield also transferred US$20.0 million of cash into a deposit account to serve as collateral for overdrafts on certain of its bank accounts in place of letters of credit previously used under its banking agreement and US$3.9 million of cash to the counterparty of its interest rate swap contract to serve as collateral and replace letters of credit previously provided under the contract. These items were partially offset by Smithfield receiving US$40.4 million from draws on credit facilities in the International segment.

CAPITAL EXPENDITURES

Historical capital expenditures

The following table sets forth Smithfield's capital expenditures for the periods indicated. These capital expenditures were funded from internally generated resources, bank loans and capital injections and related primarily to purchases of fixed assets and intangible assets.

	Smithfield			Six months ended	
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Oct. 28, 2012	Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)	
Capital expenditures.	176.8	290.7	278.0	127.7	153.6

Capital expenditures increased generally from US$176.8 million in the Smithfield 2011 Fiscal Year to US$290.7 million in the Smithfield 2012 Fiscal Year to US$278.0 million in the Smithfield 2013 Fiscal Year, and from US$127.7 million in the six months ended October 28, 2012 to US$153.6 million in the six months ended October 27, 2013. The general increase is primarily due to the phased implementation of various cost savings initiatives, replacement of gestation stalls with group pens for sows, as well as expansion projects for production plants.

INTEREST RATE SPREAD

As of October 27, 2013, the interest rates on borrowings under the Inventory Revolver and the Securitization Facility were LIBOR plus 3.25% and the lender's cost of funds of 0.23% plus 1.15%, respectively. The Inventory Revolver interest rate spread is based on a pricing-level grid in the agreement and is determined by Smithfield's Funded Debt to EBITDA ratio (as defined in the Inventory Revolver agreement).

INDEBTEDNESS

Debt

Smithfield's long-term debt consisted of the following as of the dates indicated:

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of six months ended Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
6.625% senior unsecured notes, due August 2022	—	—	995.3	1,021.6
10% senior secured notes, due July 2014	644.0	586.8	—	—
7.75% senior unsecured notes, due July 2017	500.0	500.0	500.0	556.8
5.25% senior unsecured notes, due August 2018	—	—	—	500.0
5.875% senior unsecured notes, due August 2021	—	—	—	400.0
7.75% senior unsecured notes, due May 2013	160.0	160.0	55.0	—
7% senior unsecured notes, due August 2011	78.0	—	—	—
4% senior unsecured convertible notes, due June 2013	352.7	373.2	395.9	—
Floating rate senior secured term loan, due June 2016	200.0	200.0	—	—
Floating rate senior unsecured term loan, due May 2018	—	—	200.0	200.0
Floating rate senior unsecured term loan, due February 2014	—	—	200.0	—
Inventory Revolver, LIBOR plus 3.25%	—	—	—	485.0
Securitization Facility, the lender's cost of funds of 0.23% plus 1.15%	—	—	—	120.0
Various, interest rates ranging from 0.0% to 7.47%, due May 2012 to June 2017	160.0	117.3	132.9	129.5
Total debt	2,094.7	1,937.3	2,479.1	3,412.9
Current portion	(143.2)	(62.5)	(675.1)	(62.0)
Total long-term debt	**1,951.5**	**1,874.8**	**1,804.0**	**3,350.9**

GUARANTEES

As part of its business, Smithfield is a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated condensed balance sheets. Smithfield could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that Smithfield is unable to predict. If Smithfield considers it probable that it will become responsible for an obligation, it will record the liability on its consolidated balance sheet.

As of October 27, 2013, Smithfield continued to guarantee US$9.7 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. This guaranty may remain in place until the leases expire in February 2022.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table provides information about Smithfield's contractual obligations and commercial commitments as of October 27, 2013.

	Payments Due By Period				
	Total	< 6 Months	7-30 Months	31-54 Months	>54 Months
	(US$ million)				
Long-term debt	3,412.9	4.0	127.7	1,184.6	2,096.6
Interest	1,163.2	92.7	366.1	310.2	394.2
Capital lease obligations, including interest	29.4	0.7	2.3	1.6	24.8
Operating leases	156.4	23.7	58.2	35.8	38.7
Capital expenditure commitments	25.8	25.8	—	—	—
Purchase obligations:					
Hog procurement[1]	5,364.0	776.1	2,181.8	1,508.6	897.5
Contract hog growers[2]	1,407.3	268.4	483.8	288.3	366.8
Grain procurement[3]	414.3	387.1	27.2	—	—
Other[4]	286.1	10.8	26.4	27.8	221.1
Total	12,259.4	1,589.3	3,273.5	3,356.9	4,039.7

Notes:

(1) Through the Fresh Pork and International segments, Smithfield has purchase agreements with certain hog producers. Some of these arrangements obligate Smithfield to purchase all of the hogs produced by these producers. Other arrangements obligate Smithfield to purchase a fixed amount of hogs. Due to the uncertainty of the number of hogs that Smithfield is obligated to purchase and the uncertainty of market prices at the time of hog purchases, Smithfield has estimated its obligations under these arrangements. Future payments were estimated using current live hog market prices, available futures contract prices and internal projections adjusted for historical quality premiums.

(2) Through the Hog Production segment, Smithfield uses independent farmers and their facilities to raise hogs produced from Smithfield's breeding stock. Under multi-year contracts, the farmers provide the initial facility investment, labor and front line management in exchange for a performance-based service fee payable upon delivery. Smithfield is obligated to pay this service fee for all hogs delivered. Smithfield has estimated its obligation based on expected hogs delivered from these farmers.

(3) Includes fixed-price forward grain purchase contracts totaling US$128.6 million. Also includes unpriced forward grain purchase contracts that, if valued as of October 27, 2013 market prices, would be US$285.7 million. These forward grain contracts are accounted for as normal purchases. As a result, they are not recorded in the balance sheet.

(4) Includes guaranteed royalty payments totaling US$250.0 million to Nathan's Famous Inc. (Nathan's) over an 18-year contractual term commencing in March 2014. In December 2012, John Morrell signed an agreement with Nathan's to become Nathan's exclusive licensee to manufacture and sell branded hot dog, sausage and corn beef products for sale in the retail market. Under the terms of the agreement, guaranteed minimum royalty payments are US$10.0 million for the first year and increase at a compounded average annual rate of 3.2% over the contract term.

NET CURRENT ASSETS

The following table sets forth Smithfield's current assets and current liabilities as of the dates indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Current Assets				
Cash and cash equivalents	374.7	324.3	310.6	134.1
Accounts receivable, net	709.6	624.7	663.2	808.2
Inventories	2,019.9	2,072.4	2,348.3	2,527.8
Prepaid expenses and other current assets	233.7	277.6	229.7	210.1
Total	**3,337.9**	**3,299.0**	**3,551.8**	**3,680.2**
Current Liabilities				
Current portion of long-term debt and capital lease obligations	143.7	63.5	676.1	63.1
Accounts payable	434.4	415.8	429.1	518.7
Accrued expenses and other current liabilities	649.8	657.0	641.0	618.0
Total	**1,227.9**	**1,136.3**	**1,746.2**	**1,199.8**
Net Current Assets	**2,110.0**	**2,162.7**	**1,805.6**	**2,480.4**

Net current assets increased from US$1,805.6 million as of the end of the Smithfield Fiscal Year 2013 to US$2,480.4 million as of October 27, 2013. This increase was due to a significant decrease in the current portion of long-term debt and capital lease obligations as significant portions of these debts were paid upon maturity.

While net current assets remained relatively stable as at the end of the Smithfield 2011 Fiscal Year and the Smithfield 2012 Fiscal Year at US$2,110.0 million and US$2,162.7 million, respectively, this decreased to US$1,805.6 million as at the end of the Smithfield 2013 Fiscal Year due to a significant increase in the current portion of long-term debt and capital lease obligations as existing debt instruments began to near maturity, despite a partially offsetting increase in inventories relative to the previous year.

ANALYSIS OF SELECTED BALANCE SHEET ITEMS

Inventories

The following table sets forth inventories as of the dates indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Livestock	963.9	962.8	1,113.5	1,169.6
Fresh and packaged meats	854.1	912.1	960.8	1,129.1
Grains	89.8	90.4	162.0	112.7
Manufacturing supplies	60.0	59.1	57.7	65.3
Other	52.1	48.0	54.3	51.1
Total	**2,019.9**	**2,072.4**	**2,348.3**	**2,527.8**

Livestock are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of livestock that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh and packaged meats are valued based on USDA-published and other market prices and adjusted for the cost of further processing. Costs for fresh and packaged meats include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies principally consist of ingredients and packaging materials.

Changes in inventories primarily reflect changes in fresh meat prices and grain prices. For the six months ended October 27, 2013, changes in inventories also reflect seasonality.

The following table sets forth inventory turnover days as of the days indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Average inventory[(1)]	1,940.0	2,046.2	2,210.4	2,438.1
Cost of sales	10,488.6	11,544.9	11,901.4	6,236.9
Inventory turnover days[(2)]	67.5	64.7	67.8	70.4

Notes:

(1) Average of the beginning and ending balances of inventories in the period indicated.

(2) Calculated as the average balances of inventories, divided by the cost of sales in the year, multiplied by 365. In the case of the six months ended October 27, 2013, calculated as the average balances of total inventories, divided by the cost of sales in the period, multiplied by 180

Inventory turnover days during the six months ended October 27, 2013 were generally higher than the inventory turnover days during the Smithfield 2011 Fiscal Year, Smithfield 2012 Fiscal Year and Smithfield 2013 Fiscal Year due to seasonality. Smithfield's Pork segment typically builds substantial inventories of hams in anticipation of its seasonal holiday business.

Accounts receivable

The following table sets forth accounts receivable as of the dates indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Accounts receivable, net	709.6	624.7	663.2	808.2

Accounts receivable are recorded net of the allowance for doubtful accounts. Smithfield regularly evaluates the collectability of accounts receivable based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer and historical experience. Based on evaluation, Smithfield records reserves to reduce the related receivables to amounts it reasonably believes are collectible. Reserve for uncollectible accounts receivable was US$14.6 million and US$16.0 million as of April 28, 2013 and April 29, 2012, respectively.

Accounts receivable as of October 27, 2013 are generally higher than the accounts receivable as of the end of the Smithfield 2011 Fiscal Year, Smithfield 2012 Fiscal Year and Smithfield 2013 Fiscal Year due to seasonality, due primarily to Smithfield's Pork segment increasing its inventories of hams in anticipation of its seasonal holiday business.

The following table sets forth accounts receivable days as of the days indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Average accounts receivable, net[(1)]	665.6	667.2	644.0	735.7
Sales	12,202.7	13,094.3	13,221.1	6,818.6
Accounts receivable days[(2)]	19.9	18.6	17.8	19.4

Notes:

(1) Average of the beginning and ending balances of accounts receivable, net in the period indicated.

(2) Calculated as the average balances of accounts receivable, net, divided by the sales in the year, multiplied by 365. In the case of the six months ended October 27, 2013, calculated as the average balances of accounts receivable, net, divided by the sales in the period, multiplied by 180

Accounts payable

The following table sets forth accounts payable as of the dates indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Accounts payable	434.4	415.8	429.1	518.7

Accounts payable as of October 27, 2013 are generally higher than the accounts payable as of the end of the Smithfield 2011 Fiscal Year, Smithfield 2012 Fiscal Year and Smithfield 2013 Fiscal Year due to seasonality, due primarily to Smithfield's Pork segment increasing its inventories of hams in anticipation of its seasonal holiday business.

The following table sets forth accounts payable days as of the days indicated.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of Oct. 27, 2013
	(US$ million)			(US$ million, unaudited)
Average accounts payable[1]	409.1	425.1	422.5	473.9
Cost of sales	10,488.6	11,544.9	11,901.4	6,236.9
Accounts payable days[2]	14.2	13.4	13.0	13.7

Notes:

(1) Average of the beginning and ending balances of accounts payable in the period indicated.

(2) Calculated as the average balances of accounts payable, divided by the cost of sales in the year, multiplied by 365. In the case of the six months ended October 27, 2013, calculated as the average balances of accounts payable, divided by the cost of sales in the period, multiplied by 180

DERIVATIVE FINANCIAL INSTRUMENTS

Smithfield is exposed to market risks primarily from changes in commodity prices, and to a lesser degree, interest rates and foreign exchange rates. To mitigate these risks, Smithfield utilizes derivative instruments to hedge its exposure to changing prices and rates.

Derivative instruments are recorded in the balance sheet as either assets or liabilities at fair value. For derivatives that qualify and have been designated as cash flow or fair value hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). Under this guidance, Smithfield may elect either method of accounting for its derivative portfolio, assuming all the necessary requirements are met. In the past Smithfield availed itself of either acceptable method and expects to do so in the future. Smithfield believes all of its derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

When available, Smithfield uses quoted market prices to determine the fair value of its derivative instruments. This may include exchange prices, quotes obtained from brokers, or independent valuations from external sources, such as banks. In some cases where market prices are not available, Smithfield makes use of observable market based inputs to calculate fair value.

The size and mix of Smithfield's derivative portfolio varies from time to time based upon its analysis of current and future market conditions. The following table presents the fair values of Smithfield's open derivative financial instruments in the consolidated balance sheets as of the dates indicated[1].

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of October 27, 2013
	(US$ million)			(US$ million, unaudited)
Grains	75.0	33.8	(78.0)	(7.3)
Livestock	(12.9)	23.1	14.7	(6.3)
Energy	0.9	(12.2)	2.5	0.1
Interest rates	(2.3)	—	—	—
Foreign currency	(1.4)	3.6	0.4	0.3

(1) Negative amounts represent net liabilites

Sensitivity analysis

The following table presents the sensitivity of the fair value of Smithfield's open derivative contracts to a hypothetical 10% change in market prices or foreign exchange rates, as of the end of the Smithfield 2011 Fiscal Year, Smithfield 2012 Fiscal Year and Smithfield 2013 Fiscal Year and as of October 27, 2013.

	As of the end of Smithfield			
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	As of October 27, 2013
	(US$ million)			(US$ million, unaudited)
Grains	33.1	49.4	38.1	29.8
Livestock	85.4	18.0	12.7	13.7
Energy	0.3	3.3	5.4	4.5
Foreign currency	11.0	11.9	5.0	6.2

Commodities risk

Smithfield's meat processing and hog production operations use various raw materials, primarily live hogs, corn, soybean meal and wheat, that are actively traded on commodity exchanges. Smithfield hedges these commodities when it determines conditions are appropriate to mitigate the inherent price risks. While this hedging may limit its ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. Commodities underlying Smithfield's derivative instruments are subject to significant price fluctuations. Any requirement to mark-to-market the positions that have not been designated or do not qualify for hedge accounting could result in volatility in our results of operations. Smithfield attempts to closely match the hedging instrument terms with the hedged item's terms. Gains and losses resulting from Smithfield's commodity derivative contracts are recorded in cost of sales except for lean hog contracts that are designated in cash flow hedging relationships, which are recorded in sales, and are offset by increases and decreases in cash prices in Smithfield's core business (with such increases and decreases reflected in the same income statement line items). For example, in a period of rising grain prices, gains resulting from long grain derivative positions would generally be offset by higher cash prices paid to farmers and other suppliers in spot markets. However, under the "mark-to-market" method described above, these offsetting changes do not always occur in the same period, with lag times of as much as twelve months.

Interest Rate and Foreign Currency Exchange Risk

Smithfield periodically enters into interest rate swaps to hedge its exposure to changes in interest rates on certain financial instruments and to manage the overall mix of fixed rate and floating rate debt instruments. Smithfield also periodically enters into foreign exchange forward contracts to hedge exposure to changes in foreign currency rates on foreign denominated assets and liabilities as well as forecasted transactions denominated in foreign currencies.

The following tables present the effects on Smithfield's consolidated financial statements from its derivative instruments and related hedged items for the periods indicated:

Cash Flow Hedges

Gain (loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27 - October 27, 2013	April 29 - September 26, 2013	Six months ended October 27, 2013
	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)
Commodity contracts:							
Grain contracts	**232.9**	**5.5**	**39.1**	**129.5**	**(6.8)**	**3.1**	**(3.7)**
Lean hog contracts	*(82.8)*	*102.8*	*13.6*	*(1.1)*	*(0.8)*	*(29.3)*	*(30.1)*
Interest rate contracts	(1.2)	—	—	—	—	—	—
Foreign exchange contracts	(4.1)	(2.5)	0.4	(0.2)	0.7	(0.4)	0.3
Total	144.8	105.8	53.1	128.2	(6.9)	(26.6)	(33.5)

Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27 - October 27, 2013	April 29 - September 26, 2013	Six months ended October 27, 2013
	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)
Commodity contracts:							
Grain contracts	**80.7**	**75.1**	**108.4**	**21.6**	**(0.1)**	**23.6**	**23.5**
Lean hog contracts	*(44.5)*	*32.3*	*54.9*	*57.8*	*0.2*	*5.9*	*6.1*
Interest rate contracts	(7.0)	(2.4)	—	—	—	—	—
Foreign exchange contracts	(2.6)	(4.1)	2.1	(0.6)	—	(0.3)	(0.3)
Total	26.6	100.9	165.4	78.8	0.1	29.2	29.3

Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27 - October 27, 2013	April 29 - September 26, 2013	Six months ended October 27, 2013
	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)
Commodity contracts:							
Grain contracts	**1.9**	**(0.2)**	**—**	**3.4**	**(1.6)**	**1.3**	**(0.3)**
Lean hog contracts	*(1.0)*	*(0.5)*	*0.4*	*0.3*	*—*	*(0.8)*	*(0.8)*
Interest rate contracts	—	—	—	—	—	—	—
Foreign exchange contracts	—	—	—	—	—	—	—
Total	0.9	(0.7)	0.4	3.7	(1.6)	0.5	(1.1)

Fair Value Hedges

	Gain (Loss) Recognized in Earnings on Derivative							Gain (Loss) Recognized in Earnings on Related Hedged Item						
	Smithfield				Successor	Predecessor	Combined	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27-October 27, 2013	April 29-September 26, 2013	Six months ended October 27, 2013	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27-October 27, 2013	April 29-September 26, 2013	Six months ended October 27, 2013
	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)
Commodity contracts.	(4.2)	21.9	(12.8)	(18.7)	—	0.5	0.5	5.4	(16.7)	5.0	11.2	—	(0.5)	(0.5)

Mark-to-Market Method

	Smithfield				Successor	Predecessor	Combined
	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	Six months ended October 28, 2012	September 27-October 27, 2013	April 29-September 26, 2013	Six months ended October 27, 2013
	(US$ million)				(US$ million, unaudited)	(US$ million)	(US$ million, unaudited)
Commodity contracts . .	63.4	6.4	42.6	8.9	1.7	8.5	10.2
Foreign exchange contracts	(9.0)	7.7	3.7	4.2	0.4	(0.2)	0.2
Total.	54.4	14.1	46.3	13.1	2.1	8.3	10.4

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see notes 16, 15 and 13 for the Smithfield Fiscal Years 2011, 2012 and 2013, respectively, set forth in Appendix IB to this prospectus.

OVERVIEW

Immediately upon completion of the Global Offering (without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options), Heroic Zone will directly hold 3,181,820,000 Shares, representing approximately 21.76% of the issued share capital of our Company. Heroic Zone is a wholly owned subsidiary of Rise Grand, which in turn is beneficially owned by the participants ("**HSP Participants**") in our Heroic Zone Share Plan.

Pursuant to an entrustment agreement dated December 25, 2009 (the "**Entrustment Agreement**"), the employee share committee (the "**ESC**"), on behalf of all HSP Participants, entrusted three individual trustees, namely Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian (each being an employee of our Group), to hold the legal title of, and to exercise the voting rights attached to all the shares in Rise Grand in joint tenancy (the "**HSP Trustees**"). Accordingly, HSP Participants are not the legal title holders of shares in Rise Grand, and are therefore not entitled to exercise shareholders' rights, including voting rights, attached to the shares of Rise Grand. These rights are exercisable by the HSP Trustees, who in turn (pursuant to the Heroic Zone Share Plan) are required to exercise voting rights and other shareholder rights in accordance with the instruction of the ESC. Therefore, none of Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian as the HSP Trustees (individually or collectively) and HSP Participants are entitled to exercise or control the exercise of any voting rights attached to the shares of Rise Grand, and none of them are considered as the Controlling Shareholders of the Company.

Under the Heroic Zone Share Plan and the Entrustment Agreement, HSP Participants have the power to elect the members of the ESC through the general meetings of HSP Participants. The ESC has been composed of five members since its establishment and any resolution of the ESC should be passed by a three-fourth vote of the members. The ESC in its absolute discretion is entitled to appoint and remove any HSP Trustees and give instructions to the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand. Rise Grand will in turn give instructions to Heroic Zone as to how to exercise its rights, including voting rights, attached to the Shares it holds. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Structure at Beginning of Track Record Period".

Immediately upon completion of the Global Offering (without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options), Chang Yun will directly hold 631,580,000 Shares, representing approximately 4.32% of the issued share capital of our Company. Chang Yun is a wholly owned subsidiary of Teeroy Limited, which was designated as the trustee administering the 2010 Share Award Plan adopted on November 26, 2010. Chang Yun holds the pool of Shares subject to the 2010 Share Award Plan in trust for participants in our 2010 Share Award Plan, being any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of our Company, any subsidiary of our Company or any entity in which any member of our Group holds any equity interest. Chang Yun is required to exercise the voting rights in respect of any Shares held under the trust in accordance with the direction of our Company from time to time. On November 26, 2010, our Company instructed Chang Yun to

exercise such voting rights attached to the Shares it holds in accordance with the direction of Heroic Zone in its absolute discretion. For further details of the 2010 Share Award Plan, please see the section headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Share Issuance and Transfer to Chang Yun".

Immediately upon completion of the Global Offering (without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options), High Zenith will directly hold 350,877,333 Shares, representing approximately 2.40% of the issued share capital of our Company. High Zenith is a wholly owned subsidiary of Teeroy Limited, which was designated as the trustee administering the 2013 Share Award Plan adopted on October 23, 2013. High Zenith holds the pool of the Shares subject to the 2013 Share Award Plan in trust for participants in our 2013 Share Award Plan, being employee or officer (whether full time or part time, including any executive and non-executive Director), consultants, agents and adviser of our Company, our subsidiary, or any entity in which any member of the Group holds any equity interest. High Zenith is required to exercise the voting rights in respect of any Shares held under the trust in accordance with the direction of our Company from time to time. On October 23, 2013, our Company instructed High Zenith to exercise such voting rights attached to the Shares it holds in accordance with the direction of Heroic Zone in its absolute discretion. For further details of the 2013 Share Award Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith".

Immediately upon completion of the Global Offering (without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options), Sure Pass and Rich Matrix will directly hold 573,099,645 and 245,614,133 Shares respectively, representing approximately 3.92% and 1.68% respectively of the issued share capital of our Company. Sure Pass is a company wholly owned by Mr. Wan Long, our Chairman and Chief Executive Officer. Rich Matrix is a company wholly owned by Mr. Yang Zhijun, one of our vice presidents and one of our Directors. Both Sure Pass and Rich Matrix have irrevocably undertaken to exercise the voting rights in respect of their Shares in accordance with the direction of our Company from time to time. On October 23, 2013, our Company instructed Sure Pass and Rich Matrix to exercise such voting rights in accordance with the direction of Heroic Zone in its absolute discretion.

In light of the above, Rise Grand controls Heroic Zone's exercise of voting rights attached to the Shares it holds, which in turn has the power to control Chang Yun, High Zenith, Sure Pass and Rich Matrix's exercise of their respective voting rights attached to the Shares they respectively hold. Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix will thus be together entitled to directly and indirectly exercise or control the exercise of approximately 34.08% of the voting power at the general meetings of our Company immediately following completion of the Global Offering (without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options) and accordingly these parties are considered as Controlling Shareholders of our Company immediately following the Global Offering.

China Diamond Holdings Company Limited, through various entities owned or controlled by it, controls each of CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited (the "**CDH**

Entities"), is deemed to be interested in the Shares held by the CDH Entities, and is prior to the completion of the Global Offering thereby deemed to be interested in an aggregate of approximately 38.06% of the issued share capital of the Company. Pursuant to the amended memorandum and articles of association of our Company adopted on November 26, 2010 (which was further amended and restated on December 31, 2013), superior voting powers were granted to Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix whereby, except in relation to the matters for which a special resolution is required, each of Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix shall have two votes for every Share they hold, respectively. As a result, prior to the completion of the Global Offering, the CDH Entities in aggregate are, and therefore China Diamond Holdings Company Limited is deemed to be, able to exercise or control the exercise of approximately 26.69% of the voting power at the general meetings of our Company except in relation to matters for which a special resolution is required despite their shareholding amounting to an aggregate of approximately 38.06%. Therefore, China Diamond Holdings Company Limited is not considered as a Controlling Shareholder of our Company prior to the completion of the Global Offering.

The superior voting powers granted to Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix have not been exercised in the past. In addition, immediately upon completion of the Global Offering, the Articles of Association will become effective and Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix will no longer have superior voting powers and all Shareholders will have the same voting and other rights attaching to each Share held by them.

Immediately upon completion of the Global Offering (no matter whether the Offer Size Adjustment Option and/or the Over-allotment Option are exercised or not and without taking into account any Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options), the CDH Entities will in aggregate be, and therefore China Diamond Holdings Company Limited will be deemed to be, interested in an aggregate of less than 30% of the voting power at the general meetings of our Company. Therefore, China Diamond Holdings Company Limited is not considered as a Controlling Shareholder of our Company immediately following completion of the Global Offering.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates upon Listing for the following principal reasons:

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after Listing, we have full rights to make all decisions on, and to carry out, our own business operations independently. We, through our subsidiaries, hold the licenses and qualifications necessary to carry on our current business, and have sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors and the Joint Sponsors are satisfied that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. As of the Latest Practicable Date, two of our executive Directors also held positions in our Controlling Shareholders, details of which are set out below:

Name of Director	Positions held in our Controlling Shareholders
Mr. Wan Long (an executive Director, Chairman of the Board and Chief Executive Officer of our Company)	Chairman and member of the ESC, director of Sure Pass
Mr. Yang Zhijun (an executive Director and a vice president of our Company)	Member of the ESC, director of Rise Grand, Heroic Zone and Rich Matrix

Save as disclosed above, none of our Directors or members of senior management holds any position in our Controlling Shareholders as of the Latest Practicable Date. There are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper function of the Board.

We believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that we are capable of managing our business independently from our Controlling Shareholders for the following reasons:

(i) in the event of a conflict of interest arising out of any transactions to be entered into by the Group, all Directors with a conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming quorum at the relevant Board meetings;

(ii) our three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions; and

(iii) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the Company's benefits and best interest and do not allow any conflict between his duties as a Director and his personal interests.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates. All loans, advances and balances due to and from any of our Controlling Shareholders and their respective associates will be fully settled prior to the Listing and that all share pledges and guarantees provided by any of our Controlling Shareholders and their respective associates on the Group's borrowing will be fully released prior to the Listing. We have adopted a set of internal control procedures for cash receipts and payment and have independent access to third-party financing.

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, apart from the Group's business, none of our Controlling Shareholders were engaged or had interest in any business which, directly or indirectly, competes or may compete with the Group's business and which would require disclosure under Rule 8.10 of the Listing Rules. None of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business.

NON-COMPETITION UNDERTAKING

In order to ensure that competition does not develop between us and other business activities and/or interests in businesses of our Controlling Shareholders, our Controlling Shareholders (collectively, the "**Covenantors**" and each a "**Covenantor**") entered into the Deed of Non-competition in favor of the Company, pursuant to which the Covenantors have undertaken to us (for ourselves and for the benefit of our subsidiaries) that they would not and would use their best endeavors to procure that their respective associates (except any members of the Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm, company or entity, carry on, engage in, invest in, participate in, attempt to participate in, hold any right or have any financial interests in or otherwise be involved in or interested (economically or otherwise) in, any business or investment activities which are the same as, similar to or in competition with the business carried on or contemplated to be carried on by any members of the Group from time to time (the "**Restricted Business**") (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

The above undertaking does not apply where:

(a) an interest in the Group from time to time;

(b) an investment or interest in units or shares of any entity where the aggregate number of shares held by the Covenantors and/or their respective associates (except any members of the Group) does not exceed 10% of the issued shares of that class of shares of such entity provided that (i) such investment or interest does not grant, nor does any Covenantor and/or its associates (except any members of the Group) otherwise hold, any right to control the composition of the board of directors or managers of such entity nor any right to participate, directly or indirectly, in such entity; and (ii) none of the Covenantors and their respective assoicates (except any members of the Group) is the controlling shareholder of such entity;

(c) any Restricted Business which our Group has decided not to make an investment as approved in writing by all the independent non-executive Directors; or

(d) an opportunity relating to the Restricted Business has first been offered or made available by any of the Covenantors to us, and either we do not respond to the offer by the due date, or after decision by our independent non-executive Directors we decline in writing to accept such an opportunity.

Under the Deed of Non-competition, each Covenantor has further undertaken jointly and severally, to us (for ourselves and as trustee for the benefit of each of our subsidiary from time to time) the following:

(i) each Covenantor has acknowledged that the independent non-executive Directors will review, where necessary and at least on an annual basis, the compliance with the undertaking contained in the Deed of Non-competition;

(ii) it shall provide, and shall procure its associates (other than members of our Group) to provide, where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors and their respective associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;

(iii) without prejudicing the generality of paragraph (i) above, it shall provide to us with an annual declaration for inclusion in our annual report, in respect of its compliance with the terms of the Deed of Non-competition;

(iv) each Covenantor has agreed and authorised us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of public announcement; and

(v) in the event that any Covenantor or its associates (excluding members of our Group) become aware of any business opportunity that is or may directly or indirectly constitute a Restricted Business, it shall, and shall procure its associates (excluding members of our Group) to inform us of such opportunity in writing with all information available to them as soon as practicable and shall use its best endeavors to assist us in obtaining such business opportunity on the same or more favorable terms.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect upon the earlier of:

(1) the Covenantors and/or their respective associates (other than any member of the Group) ceasing to hold, directly or indirectly, an aggregate of at least 30% of the issued share capital (or ceasing the control to exercise the voting rights of such shareholding) of our Company;

(2) the Covenantors and/or their respective associates (other than any member of the Group) considered together as if they were one single Shareholder ceasing to be the largest single Shareholder; or

(3) our Shares ceasing to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid prior to and immediately following the completion of the Global Offering:

Authorized Share Capital		*Aggregate par values (US$)*
50,000,000,000 Shares		5,000,000
Issued and to be issued, fully paid or credited as fully paid immediately upon the completion of the Global Offering		*US$*
11,695,911,111	Shares in issue as of the date of this prospectus	1,169,591.1111
2,923,980,000	Shares to be issued under the Global Offering	292,398.0000
14,619,891,111	Total	1,461,989.1111

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above table does not take into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme are summarized in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering; and

(ii) the nominal amount of our share capital repurchased by the Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Associate; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — Further Information about Our Group — 4. Resolutions of the Shareholders of the Company Passed on April 4, 2014".

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Global Offering (excluding any Shares which may be issued pursuant to the exercise the Pre-IPO Share Options).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information - Repurchase of Our Shares".

This general mandate to repurchase Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — Further Information about Our Group — 4. Resolutions of the Shareholders of the Company Passed on April 4, 2014".

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised and without taking into account the Shares to be issued pursuant to the exercise of the Pre-IPO Share Options, the following persons will, immediately following completion of the Global Offering, have interests or short position in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity/Nature of Interest	Number of Shares Held Immediately Following Completion of the Global Offering[9]	Approximate Percentage of Shareholding in the Total Issued Share Capital of Our Company Immediately Following Completion of the Global Offering[9]
Rise Grand[1]	Interest in controlled corporation	4,982,991,111	34.084%
Heroic Zone[2]	Beneficial interest	3,181,820,000	21.764%
	Interest in controlled corporation	1,801,171,111	12.320%
CDH Shine	Beneficial interest	1,566,848,914	10.717%
China Shine Group Limited[3]	Interest in controlled corporation	3,184,909,998	21.785%
CDH PE Fund, L.P.[4]	Interest in controlled corporation	3,184,909,998	21.785%
CDH PE Holdings Company Limited[5]	Interest in controlled corporation	3,184,909,998	21.785%
CDH China Growth Capital Holdings Company Limited[6]	Interest in controlled corporation	3,184,909,998	21.785%
China Diamond Holdings III Limited[7]	Interest in controlled corporation	3,184,909,998	21.785%
China Diamond Holdings Company Limited[8]	Interest in controlled corporation	3,995,561,326	27.330%

Notes:

1. Rise Grand, as the sole shareholder of Heroic Zone, is deemed to be interested in the 4,982,991,111 Shares which Heroic Zone is interested in. As of the Latest Practicable Date, the beneficial interest of Rise Grand was owned by 325 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated December 25, 2009, the employee share committee (the "**ESC**"), on behalf of all HSP Participants under the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian (each being an employee of the Group) to hold the legal title, 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. 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. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Structure at Beginning of Track Record Period".

2. Chang Yun, High Zenith, Sure Pass and Rich Matrix should exercise the voting rights attached to the Shares respectively held by them in accordance with the direction of Heroic Zone in its absolute discretion. Therefore, Heroic Zone is deemed to be interested in the Shares held by Chang Yun, High Zenith, Sure Pass and Rich Matrix. For further details of the voting rights of Chang Yun, High Zenith, Sure Pass and Rich Matrix, please see the sections headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Share Issuance and Transfer to Chang Yun" and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith".

3. China Shine Group Limited directly owns the entire interests in each of CDH Shine Limited, CDH Shine III Limited and CDH Shine IV Limited and, through CDH Sunshine Limited, owns the entire interest in CDH Shine II Limited. Therefore, China Shine Group Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

4. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. Therefore, CDH PE Fund, L.P. is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

5. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited. Therefore, CDH PE Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

6. CDH PE Holdings Company Limited is wholly owned by CDH China Growth Capital Holdings Company Limited. Therefore, CDH China Growth Capital Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

7. China Diamond Holdings III Limited directly owns approximately 69.5% of CDH China Growth Capital Holdings Company Limited. Therefore, China Diamond Holdings III Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

8. Each of China Diamond Holdings III Limited and China Diamond Holdings V Limited is wholly owned by China Diamond Holdings Company Limited. Therefore, China Diamond Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.

9. The percentage of shareholding in the table is presented assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised and without taking into account the Shares to be issued pursuant to the exercise of the Pre-IPO Share Options.

BOARD OF DIRECTORS

Our Board consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information in respect of the members of the Board:

Name and Position/Title	Age	Date of appointment as Director	Timing of joining the Group	Role and responsibility
WAN Long (萬隆) Executive Director, Chairman and Chief Executive Officer	73	October 16, 2007 (designated as an executive Director on December 31, 2013)	May 1968	being responsible for formulating the business strategies and making major corporate and operational decisions of the Company and ensure the Board's effective performance of its function; chairman of the nomination committee
JIAO Shuge (焦樹閣) Non-executive Director and deputy chairman . . .	48	April 28, 2006 (designated as a non-executive Director on December 31, 2013)	April 2006	participating in formulating the Company's corporate and business strategies; member of the remuneration committee
GUO Lijun (郭麗軍) Executive Director, vice president and chief financial officer.	43	December 31, 2013	July 1993	assisting the Chairman and Chief Executive Officer in formulating the business strategies and making major corporate and operational decisions of the Company; being responsible for overall trades and finance of the Company
YANG Zhijun (楊摯君) Executive Director and vice president	40	October 16, 2007 (designated as an executive Director on December 31, 2013)	July 1996	assisting the Chairman and Chief Executive Officer in formulating the business strategies and making major corporate and operational decisions of the Company; being responsible for investment, merger and acquisition, and financing activities of the Company
POPE C. Larry Executive Director and president and chief executive officer of Smithfield	59	December 31, 2013	September 1980	being responsible for developing and implementing Smithfield's strategies, making major corporate decisions, managing the overall operations and resources of Smithfield, and acting as the main point of communication between Smithfield's corporate operations and Smithfield's board of directors

Name and Position/Title	Age	Date of appointment as Director	Timing of joining the Group	Role and responsibility
ZHANG Taixi (張太喜) Executive Director and president of Shuanghui Development.	41	December 31, 2013	August 1995	being responsible for developing and implementing Shuanghui Development's strategies, making major corporate decisions, managing the overall operations and resources of Shuanghui Development, and acting as the main point of communication between Shuanghui Development's corporate operations and Shuanghui Development's board of directors
HUANG Ming (黃明) Independent non-executive Director.	50	April 4, 2014 (with effect from the Listing Date)	April 2014	supervising and providing independent judgment to the Board; member of the audit and nomination committees, chairman of the remuneration committee
LEE Conway Kong Wai (李港衛) Independent non-executive Director.	59	April 4, 2014 (with effect from the Listing Date)	April 2014	supervising and providing independent judgment to the Board; chairman of the audit committee, member of the remuneration committee
SO Chak Kwong (蘇澤光) Independent non-executive Director.	69	April 4, 2014 (with effect from the Listing Date)	April 2014	supervising and providing independent judgment to the Board; member of the audit and nomination committees

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of the Group:

Name	Age	Timing of joining the Group	Position/Title
QIAO Haili (喬海莉)	49	August 1986	vice president of Shuanghui Development and general manager of Shuanghui Development's meat processing division
MA Xiangjie (馬相傑).	42	July 1996	vice president of Shuanghui Development and general manager of Shuanghui Development's fresh food division
WANG Yufen (王玉芬)	46	October 1987	vice president of Shuanghui Development (in charge of technology research)
LIU Songtao (劉松濤).	37	August 2000	vice president of Shuanghui Development (in charge of finance)
SULLIVAN Kenneth M.	50	June 2003	chief financial officer of Smithfield

Name	Age	Timing of joining the Group	Position/Title
MANLY IV Robert W.	60	April 1986	executive vice president and chief synergy officer of Smithfield
THAMODARAN Dhamu R. . .	58	December 1984	executive vice president and chief commodity hedging officer of Smithfield
NOWAKOWSKI Dariusz	60	June 2006	president of Smithfield's Europe division
CHAU Ho (周豪)	48	February 2014	chief legal officer and company secretary of the Company

DIRECTORS

Executive and non-executive Directors

WAN Long (萬隆) aged 73, was appointed as a Director on October 16, 2007 and has been the Chairman of our Board since November 26, 2010. He was designated as our executive Director on December 31, 2013 and has been the Company's Chief Executive Officer since October 2013. Mr. Wan has been the chairman of the board of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Wan joined Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) in May 1968 and became the general manager of the factory in 1984. Under Mr. Wan's direction, our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. Mr. Wan has over 40 years of experience in the meat processing industry. He has been a representative of the Ninth to Twelfth China's National People's Congress (中國人民共和國全國人民代表大會) in 1998, 2003, 2008 and 2013 and was appointed as an executive director effective until December 2011 and a senior consultant of the China Meat Association (中國肉類協會) in 2001. Mr. Wan obtained his bachelor's degree in business management from the Henan University of Animal Husbandry and Economy (河南牧業經濟學院, previously The Henan Business College (河南商業專科學校)) in May 1991 and was awarded the senior economist professional qualification issued by the Henan Province Advanced Professional Titles Adjudication Committee (Economic Disciplines) (河南省經濟系列高級評審委員會) in July 1999.

In addition, Mr. Wan holds positions in various subsidiaries, including those set out below:

Name of entity	Position	Period of Time
Shuanghui Group	chairman of the board	January 5, 2007 — Present
Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary)	chairman of the board	August 20, 2012 — Present
Rotary Vortex	director	November 8, 2007 — Present
Smithfield.	chairman of the board	September 26, 2013 — Present

Over the years, Mr. Wan has received many awards and accolades acknowledging his contributions and accomplishments in the meat industry, examples of which are set out in the table below:

Honor/Award	Awarding Body	Timing of granting the award
National Excellent Manager (全國優秀經營管理者)	The All-China Federation of Trade Unions (中華全國總工會)	May 1993
May First Labor Medal (五一勞動獎章)	The All-China Federation of Trade Unions (中華全國總工會)	May 1993
Winner of the Special Government Allowance (政府特殊津貼)	The State Council of the PRC (中華人民共和國國務院)	October 1993
Outstanding Entrepreneur in China Food Industry (中國食品工業優秀企業家)	The China Food Industry Association (中國食品工業協會)	December 1999
National Model Worker (全國勞動模範)	The State Council of the PRC (中華人民共和國國務院)	April 2000
Outstanding Leader of Quality Control in China Food Industry (全國食品行業品質管制優秀領導者)	The China Food Industry Association (中國食品工業協會)	June 2000
National Advanced Worker in Quality Control of 2000 (2000年全國質量管制先進工作者稱號)	The State Bureau of Quality Technical Supervision (國家質量技術監督局)	September 2000
National Advanced Worker in Agricultural Science (全國農業科技先進工作者稱號)	The PRC Ministry of Science and Technology (中華人民共和國科學科技部), The PRC Ministry of Agriculture (中華人民共和國農業部), The PRC Ministry of Water Resources (中華人民共和國水利部), The PRC State Forestry Bureau (中華人民共和國國家部林業局)	January 2001
Top Ten Meritorious Entrepreneurs in China Meat Industry (中國肉類食品行業十大功勳企業家)	The China Meat Association (中國肉類協會)	August 2003
Lifetime Achievement Award in China Meat Industry (中國肉類行業終身成就獎)	The China Meat Association (中國肉類協會)	September 2007

Honor/Award	Awarding Body	Timing of granting the award
Technological Innovation Entrepreneur in Chinese Meat Industry (中國肉類產業科技創新領軍人物)	The China Meat Association (中國肉類協會)	September 2009
Meritorious Entrepreneurs in China Meat Industry (中國肉類食品行業功勳企業家)	The China Meat Association (中國肉類協會)	June 2010
China's Top 10 Internationally Influential Entrepreneurs (中國商界十大國際風雲人物)	The Global Alliance of SMEs (全球中小企業聯盟)	November 2013

Save as disclosed above, Mr. Wan is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

JIAO Shuge (焦樹閣), aged 48, was appointed as our Director on April 28, 2006 and as the deputy chairman of our Board on November 26, 2010. He was designated as a non-executive Director on December 31, 2013. Mr. Jiao has been a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012, and was appointed as a director of CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited, each of which is a shareholder of the Company, on February 27, 2006, March 9, 2007, July 27, 2009 and December 16, 2009, respectively. Mr. Jiao is also currently a director and managing partner of CDH China Management Company Limited. Mr. Jiao is a member of the remuneration committee of the Company. In addition, Mr. Jiao holds positions in various subsidiaries, including those set out below:

Name of entity	Position	Period of Time
Shuanghui Group	director	January 5, 2007 — Present
Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary)	director	August 20, 2012 — Present
Rotary Vortex	director	March 29, 2006 — Present
Smithfield	director	September 26, 2013 — Present

Mr. Jiao was a researcher in the China Aerospace Service and Technology Corporation (中國航天科技集團公司第710研究所) from August 1989 to January 1995. He served as the vice-general manager of the direct investment department of China International Capital Corporation Ltd. (中國國際金融有限公司) from December 1995 to August 2002. Mr. Jiao has a broad range of experience serving as directors of various listed companies, including as a non-executive director from February 18, 2004 to April 12, 2012 and as an independent non-executive director since April 12, 2012 of China Mengniu Dairy Co., Ltd. (a company listed on the Stock Exchange with stock code 02319). He also served as a non-executive director of China Yurun Food Group Limited (a company listed on the Stock Exchange with stock code 01068) from April 13, 2005 to September 22, 2012. In addition, Mr. Jiao

has been a non-executive director of China Shanshui Cement Group Co., Ltd. (a company listed on the Stock Exchange with stock code 00691) since November 30, 2005 and a non-executive director of Joyoung Company Limited (a company listed on the Shenzhen Stock Exchange with stock code 002242) since September 12, 2007. Mr. Jiao graduated from Shandong University (山東大學) with a bachelor of mathematics in July 1986, and obtained his master's degree in engineering from the PRC Ministry of Aerospace Industry in October 1989.

Save as disclosed above, Mr. Jiao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GUO Lijun (郭麗軍), aged 43, was appointed as an executive Director on December 31, 2013. He has also served as a vice president and the chief financial officer of the Company since January 2014. Prior to this, Mr. Guo was our deputy chief executive officer from October 2013. Mr. Guo has over 20 years of experience overseeing the financial operations of various companies. Mr. Guo worked as an accountant in the finance department of the Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) from June 1993 to March 1996. Mr. Guo was also the director of the finance department of Luohe Chinachem Shuanghui Packaging Industry Co., Ltd. (漯河華懋雙匯化工包裝有限公司) and Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑膠工程有限公司) from April 1996 to February 2001. Mr. Guo held various positions in Shuanghui Group from March 2001 to August 2012, including serving as its deputy director, its director of the finance department and its chief financial officer. In addition, Mr. Guo was also the executive vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) from August 2012 to October 2013.

Mr. Guo obtained his adult higher education diploma in financial accounting from Henan Radio and Television University (河南廣播電視大學) in July 1994 and obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in December 2004. Mr. Guo received his assistant accountant certificate awarded by the PRC Ministry of Personnel (中華人民共和國人事部) in October 1994.

Mr. Guo is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YANG Zhijun (楊摯君), aged 40, was appointed as a Director on October 16, 2007, and designated as an executive Director and a vice president of the Company on January 21, 2014. With over 17 years of experience within the Group, Mr. Yang worked as a workshop employee in Chinachem Shuanghui Industry (Group) Co., Ltd. (華懋雙匯實業(集團)有限公司) from July 1996 to December 1996, and held various positions in Shuanghui Group, including as a chairman secretary from 1997 to 2003, as a deputy director of the project reorganization office from 2004 to 2007 and as a director and the board secretary from 2007 to 2008. Mr. Yang has also served as the managing director of Rotary Vortex since December 2010. Mr. Yang worked as the Company's general manager from January 2012 to July 2013 and as our chief executive officer from July 2013 to October 2013 and our deputy chief executive officer from October 2013 to January 2014.

In addition, Mr. Yang currently holds positions in various subsidiaries, including those set out below:

Name of entity	Position	Period of Time
Rotary Vortex	director and general manager	November 8, 2007 — Present
Shuanghui Group	director	December 6, 2007 — Present
Smithfield	director	May 28, 2013 — Present

Mr. Yang graduated from Sichuan University (四川大學) with a Russian literature and language degree in July 1996. In addition, Mr. Yang obtained his EMBA degree from the Henry B. Tippie College of Business, University of Iowa, in the United States in December 2005.

Mr. Yang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

POPE C. Larry, aged 59, was appointed as an executive Director on December 31, 2013. Mr. Pope has served as the chief executive officer of Smithfield, a company previously listed on the New York Stock Exchange and our wholly owned subsidiary, since September 2006 and its president since October 2001. In addition, Mr. Pope served as the director of Smithfield from August 2006 to May 2013 and from September 2013 to the present. Mr. Pope has also served as a director of Campofrio (a company listed on the Bolsa de Madrid Exchange with stock code CFG and on the Bolsa de Barcelona Exchange with stock code CFG) since October 24, 2008. Mr. Pope has expertise in corporate strategy, organizational leadership and international operations. Mr. Pope's over 30 year career at Smithfield spans a variety of senior management roles and responsibilities which bring an in-depth knowledge of the Group's U.S. and international business segments. He joined Smithfield in 1980, serving as the controller until 1999; served as its vice president, finance from 1999 to 2000; served as its chief financial officer from October 2000 to June 2001; and served as its president and chief operating officer from 2001 to 2006. He obtained his bachelor of business degree in 1975 and his master of business administration degree in August 1994 from The College of William and Mary in Virginia.

Save as disclosed above, Mr. Pope is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ZHANG Taixi (張太喜), aged 41, was appointed as an executive Director on December 31, 2013. Mr. Zhang has been appointed as a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since March 17, 2014, and has been its president since August 25, 2012. From 1996 to September 2007, Mr. Zhang worked as a workshop manager in Luohe Canned Foods Company Limited (漯河罐頭食品股份有限公司); as the deputy director of the control center, the workshop manager and the deputy factory director of the Shuanghui Development Meat Products Division Factory (雙匯發展肉製品分廠); and as a general manager of the Ham Sausage Factory of Shuanghui Development (雙匯發展火腿腸分廠). He served

as the general manager of Tangshan Shineway Food Co., Ltd. (唐山雙匯食品有限責任公司) from July 2008 to September 2008 and Jiangsu Huai'an Shuanghui Food Co., Ltd. (江蘇淮安雙匯食品有限責任公司) from October 2008 to May 2011. From June 2011 to August 2012, Mr. Zhang worked as the general manager of the business division of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary). Mr. Zhang graduated from Luoyang Agricultural College (洛陽農業高等專科學校) and obtained his associate degree of sanitary inspection of foodstuffs (食品衛生檢驗) in July 1995.

Mr. Zhang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent non-executive Directors

HUANG Ming (黃明), aged 50, was appointed as one of our independent non-executive Directors on April 4, 2014 with effect from the Listing Date. Mr. Huang served as an assistant professor of finance at the Graduate School of Business, University of Chicago from April 1996 to June 1998; as an assistant professor of finance from July 1998 to August 2001 and as an associate professor from September 2001 to June 2005 at the Graduate School of Business, Stanford University; and as an associate dean and professor of finance from July 2004 to June 2005 and a professor of finance from July 2008 to June 2010 at the Cheung Kong Graduate School of Business (長江商學院). Mr. Huang was also appointed as the Dean of School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to April 2009. He has been a professor of finance with tenure at Cornell University since July 2005, and has been a chair professor of finance at China Europe International Business School (中歐國際工商學院) since July 2010.

Mr. Huang has served as an independent non-executive director of Yingli Green Energy Holding Company Limited (a company listed on New York Stock Exchange with stock code YGE) since August 2008, Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) since October 2009 and China Medical System Holdings Limited (a company listed on the Stock Exchange with stock code 00867) since October 2013. In addition, he has served as a non-executive director of Qihoo 360 Technology Co. Ltd. (a company listed on New York Stock Exchange with stock code QIHU) since March 2010, Guosen Securities Co. Ltd. (國信證券股份有限公司) and Tebon Securities Co., Ltd. (德邦證券股份有限公司) since June 2011.

Mr. Huang obtained his bachelor's degree in physics from Peking University in July 1985, his doctor's degree in physics from Cornell University in July 1991 and his doctor's degree in finance from Stanford University in August 1996.

Save as disclosed above, Mr. Huang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LEE Conway Kong Wai (李港衛), aged 59, was appointed as one of our independent non-executive Directors on April 4, 2014 with effect from the Listing Date. Mr. Lee has extensive experience as an independent non-executive director of listed companies and currently serves as an independent non-executive director in the following companies listed on the Main Board of the Stock

Exchange: Chaowei Power Holdings Limited (with stock code 00951) since July, 2010, West China Cement Limited (with stock code 02233) since July 2010, China Modern Dairy Holdings Ltd. (with stock code 01117) since December, 2010, Gome Electrical Appliances Holding Limited (with stock code 00493) since March 2011, Tibet 5100 Water Resources Holdings Ltd. (with stock code 01115) since March 2011, CITIC Securities Company Limited (with stock code 06030) since November, 2011, NVC Light Holding Limited (with stock code 02222) since November 2012, Yashili International Holdings Ltd. (with stock code 01230) since November 2013. Formerly, Mr. Lee also served as an independent non-executive director of China Taiping Insurance Holdings Company Limited (a company listed on the Stock Exchange with stock code 00966) from October 2009 to August 2013, and of Sino Vanadium Inc. (a company listed on the Toronto Stock Exchange with stock code SVX) from October 2009 to December 2011. Mr. Lee had been a partner of Ernst & Young (HK) from September 1980 to September 2009.

Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2008. He received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and subsequently obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. He is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.

Save as disclosed above, Mr. Lee is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SO Chak Kwong (蘇澤光), aged 69, was appointed as one of our independent non-executive Directors on April 4, 2014 with effect from the Listing Date. Mr. So served as an executive director of the Hong Kong Trade Development Council from 1985 to 1992 and was appointed as its chairman in October 2007. He was the chairman and chief executive of the MTR Corporation Limited (a company listed on the Stock Exchange with stock code 00066) from 1995 to 2003 and deputy chairman and group managing director of PCCW Limited (a company listed on the Stock Exchange with stock code 0008) from July 2003 to April 2007. Mr. So also served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited from 2000 to 2007 and is currently a senior advisor of Credit Suisse (Greater China). In addition, Mr. So has solid experience acting as an independent non-executive director of listed companies. Mr. So served as a non-executive director of AIA Group Limited (a company listed on the Stock Exchange with stock code 01299) from September 2010 to September 2012 and has served as its independent non-executive director since September 2012. In addition, he has been an independent non-executive director of Cathay Pacific Airways Limited (a company listed on the Stock Exchange with stock code 00293) since September 2002.

Mr. So was appointed as Justice of the Peace in June 1993 under the Hong Kong Justices of the Peace Ordinance. He has been a member of the International Business Leader Advisory Council for the mayor of Beijing since November 2007 and a member of the Chinese People's Political Consultative Conference since 2008. He assumed the chairman of Hong Kong Trade Development Council in October 2007. In July 2011, Mr. was awarded the Gold Bauhinia Star by the Hong Kong government. He was also appointed as the chairman of the Film Development Council from April 2007

to March 2013 by the Hong Kong government. Mr. So was appointed as a non-official member of the Economic Development Commission, and convenor of its working group on Convention and Exhibition Industries and Tourism in January 2013. Furthermore, Mr. So has acted as an honorary advisor to the mayor of San Francisco, U.S. since May 2013 and as the chairman of the Hong Kong-Mainland Economic and Trade Committee (香港內地經貿合作諮詢委員會) since October 2013. Mr. So received his bachelor's of arts degree from the University of Hong Kong in November 1969.

Save as disclosed above, Mr. So is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

General

Save as disclosed in this prospectus, each of our Directors has confirmed that:

(i) he has not held any other directorships in any other listed companies in Hong Kong or overseas during the three years immediately prior to the date of this prospectus;

(ii) there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and

(iii) there is no other matter that needs to be brought to the attention of our Shareholders.

The Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

QIAO Haili (喬海莉), aged 49, has served in various positions within the Group. She has been the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), the general manager of Shuanghui Development's meat processing division since September 2012 and a deputy general manager of its meat product department from August 2009 to August 2012, where she has been primarily responsible for the general operation of meat products production. Ms. Qiao served as a deputy director of the hygiene inspection department and as a workshop manager of Shuanghui Group from August 1986 to September 1995. Ms. Qiao also served as a director of the hygiene inspection department and the third business division of Shuanghui Group from September 1995 to February 1998. In addition, Ms. Qiao served as the general manager in Luohe Shuanghui Canned Foods Company Limited (漯河雙匯罐頭食品股份有限公司) from February 1998 to October 2004; as a director in Shuanghui Development from November 2001 to October 2004; and as the general manager in Shuanghui Development Meat Processing Division Factory (雙匯發展肉製品分廠) from November 2004 to August 2009. Ms. Qiao obtained her associate veterinarian degree from the Zhengzhou Junior College of Animal Husbandry and Veterinary Medicine (鄭州畜牧獸醫專科學校) in July 1986. She also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005. Ms. Qiao received her qualified veterinarian certificate issued by the People's Government of Luohe City in December 1998.

MA Xiangjie (馬相傑), aged 42, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) and as the general manager of its fresh food division since August 2012. Mr. Ma has over 17 years of work experience with the Group. Mr. Ma was the deputy director of the fresh meat products department of Shuanghui Development from September 2008 to August 2010. He also served as the general manager of the integrated business department of Shuanghui Group from September 2010 to April 2012. In addition, he has worked as the director of Shuanghui Development Ingredients Factory (雙匯發展香輔料分廠) since May 2001; as general manager of Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司) since August 2003; as general manager of Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司) since April 2004; as a managing director of Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司) since October 23, 2012; as a director of Fuxin Shuanghui Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司) since February 22, 2013; as a director of Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司) since February 22, 2013 and as a director of Shaanxi Shuanghui Food Co., Ltd. (陝西雙匯食品有限公司) since November 5, 2013. He graduated from the faculty of processing and storage of agricultural products from the Henan Agricultural University (河南農業大學) in July 1996, obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in March 2005 and received his master's degree in food engineering from the Northwest A&F University (西北農林科技大學) in June 2010. In addition, Mr. Ma obtained his qualification as an engineer of light industries issued by the People's Government of Henan Province in December 2002.

WANG Yufen (王玉芬), aged 46, has served as a vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), being in charge of technology research, since September 2012, and as the chief engineer of Shuanghui Development for over 15 years since March 1998. Ms. Wang has worked with the Group for over 25 years. Ms. Wang served in Henan Luohe Meat Products Processing United Factory Meat Product Branch (河南省漯河肉聯廠肉製品分廠) from October 1987 to August 1991 as a technician, from August 1991 to September 1992 as a director, and from September 1992 to March 1993 as the deputy head. She was the institute director of Henan Luohe Meat Products Processing United Factory Food Institute (河南省漯河肉聯廠食品研究所) from March 1993 to March 1998. Ms. Wang was a director of the technology center of Shuanghui Group from March 1998 to November 2001. Ms. Wang completed her correspondence studies in food engineering in Zhengzhou University of Light Industry (鄭州輕工業學院) in June 1997 and obtained her senior engineer of food research certificate issued by the People's Government of Henan Province in May 2002.

LIU Songtao (劉松濤), aged 37, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 2012 and is in charge of finance. Previously, Mr. Liu served as a director of the finance department of Shuanghui Group from May 2003 to August 2012, as a director of the finance department of Shuanghui Development Luohe Slaughter Factory (雙匯發展漯河屠宰分廠) from March 2003 to May 2003, and as a director of the finance department of Luohe Huayi Food Co., Ltd. (漯河華意食品有限公司) from March 2002 to March 2003. In addition, Mr. Liu currently serves as the director and/or chairman of the board in various subsidiaries of the Company. Mr. Liu was awarded the bachelor's degree of chrematistics by Henan University (河南大學) in July 2000.

SULLIVAN Kenneth M., aged 50, has been the chief financial officer of Smithfield since October 2013. He has served in various positions within Smithfield and possesses a wealth of accounting and financial management experience. He is responsible for the accounting, tax, treasury, operations analysis, risk management and pension administration departments of Smithfield. Mr. Sullivan joined Smithfield as the vice president of internal audit in June 2003, served as its chief accounting officer from 2007 to 2010, and was the vice president of finance and chief accounting officer from 2010 to 2012. Prior to joining Smithfield, Mr. Sullivan spent twelve years at various large accounting and consulting firms.

Mr. Sullivan has been a Certified Public Accountant in Virginia, U.S. since April 1993. Mr. Sullivan obtained his bachelor of science degree from the School of Business of the Virginia Commonwealth University in August 1988.

MANLY IV Robert W., aged 60, has been an executive vice president of Smithfield since August 2006 and its chief synergy officer since October 2013. He has also served as the chief operating officer of Murphy Brown, LLC since 2012. He is responsible for managing the international operations of Smithfield and has a unique mix of financial and operating experience, as well as a broad understanding of the meat industry. Mr. Manly was also a director of Smithfield from 1991 to 1996, the executive vice president of Smithfield from 1986 to 1996, the president and chief operating officer of The Smithfield Packing Company, Incorporated from 1994 to 1995, and the president and chief operating officer of Premium Standard Farms, LLC from 1996 to 2006. Mr. Manly served as the chief financial officer and executive vice president of Smithfield and as the president of Murphy Brown, LLC from 2006 to 2013. Mr. Manly was previously elected the chairman of the American Meat Institute for the 2005 to 2006 term. Mr. Manly received his bachelor's degree of economics from Stanford University in 1975 and his master's degree in business education from Harvard Business School in 1977.

THAMODARAN, Dhamu R., aged 58 joined Smithfield in August 1995, and has served as Smithfield's executive vice president and chief commodity hedging officer since July 2011. He is responsible for hedging and mitigating commodity volatilities in the business, and heads the group for research and analysis in global economy and commodities of Smithfield. Dr. Thamodaran joined John Morrell & Co. in August 1990 as director of price risk management. He joined Smithfield as director of price risk management in August 1995, and was promoted to vice president of price risk management in May 1996 and to senior vice president and chief commodity hedging officer in June 2008. Prior to joining John Morrell & Co., he worked for five years at Farmland Industries, which was subsequently acquired by Smithfield.

Dr. Thamodaran obtained his bachelor of science degree in agriculture from the Tamil Nadu Agricultural University in India in 1978, his master of science degree in agricultural economics from the Indian Agricultural Research Institute in India in 1980, and his doctor's in economics from Iowa State University in the U.S. in 1983.

NOWAKOWSKI Dariusz, aged 60, serves as the president of Smithfield's Europe division and is responsible for all of Smithfield's wholly owned investments in Europe. Mr. Nowakowski has been a president of Animex Sp. z o.o., our wholly owned-subsidiary, since June 2006. He worked in Canada and U.S. for 25 years and prior to joining Smithfield group in 2006 he worked for major Canadian and U.S. food corporations, including ConAgra Foods and Maple Leaf Foods. Mr. Nowakowski received his master's of science degree in animal sciences from Krakow University of Agriculture in 1980 and his master's of science degree in food science from the University of Saskatchewan, Canada in 1986.

CHAU Ho (周豪), aged 48, has served as our chief legal officer and as the company secretary since February 2014. Mr. Chau was an assistant to the chairman in China Rongsheng Heavy Industries Group Holdings Limited (listed on the Stock Exchange with stock code 01101) from April 2011 to January 2014 and as assistant to the chairman in Glorious Property Holdings Limited (listed on the Stock Exchange with stock code 00845) from March 2010 to March 2011. Mr. Chau has over 20 years of legal experience. He was an associate and subsequently a partner at the law firm Koo and Partners, which merged with the law firm Paul Hastings Janofsky & Walker (now renamed Paul Hastings), from October 1994 to February 2010. Mr. Chau received his bachelor of laws degree in November 1991 and the postgraduate certificate in laws in November 1992 from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong). In January 2003, he obtained his bachelor of laws degree from Tsinghua University. Mr. Chau has been qualified to practice as a solicitor in Hong Kong since August 1994 and has been a China-Appointed Attesting Officer since April 2006. He has also been qualified to practice as a solicitor in England and Wales since September 2008.

None of our members of senior management above have been a director of any other listed companies in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

CHAU Ho (周豪) is our chief legal officer and the company secretary. Please see the section headed "— Senior Management" in this section for the biographical details of Mr. Chau.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;

- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;

- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

The Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors being Mr. Lee Conway Kong Wai, Mr. Huang Ming and Mr. So Chak Kwong. The chairman of the audit committee is Mr. Lee Conway Kong Wai, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors being Mr. Huang Ming and Mr. Lee Conway Kong Wai, and one non-executive Director being Mr. Jiao Shuge. The remuneration committee is chaired by Mr. Huang Ming, an independent non-executive Director. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

The Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors being Mr. Huang Ming and Mr. So Chak Kwong, and our Chairman and Chief Executive Officer being Mr. Wan Long. The chairman of the Nomination Committee is Mr. Wan Long. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 14 to the Listing Rules (the "**Code**") after the Listing except for paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of Chairman and Chief Executive Officer of our Company are both performed by Mr. Wan Long. We consider that having Mr. Wan acting as both our Chairman and Chief Executive Officer will provide a strong and consistent leadership to our Company and allow for more effective planning and management of our Company. Further, in view of Mr. Wan's extensive experience in the industry, personal profile and role in our Group and the historical development of our Group as mentioned in the section headed "History, Development and Corporate Structure" in this prospectus, we consider it is beneficial to the business prospects of our Group that Mr. Wan continues to act as both our Chairman and Chief Executive Officer after Listing. Therefore, our Company currently does not propose to separate the functions of chairman and chief executive officer.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2011, 2012 and 2013 were approximately less than US$1 million, US$2 million and US$599 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately US$23.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2014 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (including both employees and Directors) for the three years ended December 31, 2011, 2012 and 2013 were approximately less than US$1 million, US$14 million and US$608 million, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 13 to section E of the Accountants' Report set out in Appendix IA to this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

PRE-IPO SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme on January 21, 2014, which was further amended on April 4, 2014, the purpose of which is to incentivize and reward eligible participants by reason of their contribution or potential contribution to the Company and/or any of our subsidiaries. Please see the section headed "Appendix IV — Statutory and General Information — Pre-IPO Share Option Scheme" for a description of our Pre-IPO Share Option Scheme.

FUTURE PLANS

For a detailed description of our future plans, see the section headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately US$3,546 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming an Offer Price of HK$9.63 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. If the Offer Price is HK$11.25 per Offer Share, being the high-end of the Offer Price range stated in this prospectus, the aforementioned net proceeds will be approximately US$4,147 million. If the Offer Price is HK$8.00 per Offer Share, being the low-end of the Offer Price range stated in this prospectus, the aforementioned net proceeds will be approximately US$2,941 million. We intend to use the net proceeds for the following purposes:

- up to approximately US$4.0 billion to repay the three year tranche maturing on August 30, 2016 of the Syndicated Term Loan which has an interest rate of LIBOR plus 3.5% and the five year tranche maturing on August 30, 2018 which has an interest rate of LIBOR plus 4.5%; and

- the remaining proceeds, for working capital and other general corporate purposes.

Except the funds to be retained for working capital and other general corporate purposes, we currently intend to apply the net proceeds to the above purposes as soon as practicable following the completion of the Global Offering. Assuming we repay the Syndicated Term Loan in full, we estimate that the expected early repayment will reduce our interest expense by approximately US$155.1 million on an annualized basis. To the extent our net proceeds are not sufficient to repay the Syndicated Term Loan in full, we intend to repay the remaining balance with funds from a variety of sources, including cash generated from operations and bank financing.

We estimate the net proceeds to the Selling Shareholders from the sale of their Sale Shares (prior to any exercise of the Offer Size Adjustment Option or the Over-allotment Option), the Option Selling Shareholders from the sale of their Sale Shares pursuant to the exercise of the Offer Size Adjustment Option (assuming it is exercised in full) and the Over-allotment Selling Shareholders from the sale of their Sale Shares pursuant to the exercise of the Over-allotment Option (assuming it is exercised in full) will be approximately US$894 million, US$894 million and US$670 million, respectively (assuming an Offer Price of HK$9.63 per Share, being the mid-point of the indicative Offer Price range), after deducting, in each case, the underwriting fees and commissions (and assuming the full payment of the discretionary incentive fee) payable by the Selling Shareholders, Option Selling Shareholders and Over-allotment Selling Shareholders.

As the Offer Size Adjutment Option will be granted by the Option Selling Shareholders and the Over-allotment Option will be granted by the Over-allotment Selling Shareholders, and in neither case by the Company, the Company will not receive any proceeds from any exercise of the Offer Size Adjustment Option or the Over-allotment Option.

HONG KONG UNDERWRITERS

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
32-33/F, Three Pacific Place
1 Queen's Road East
Hong Kong

Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CITIC Securities Corporate Finance (HK) Limited
26/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F Cheung Kong Center
No.2 Queen's Road Central
Central
Hong Kong

UBS AG, Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street
Central, Hong Kong

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

Barclays Bank PLC, Hong Kong Branch
41/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Merrill Lynch Far East Limited
15/F Citibank Tower
3 Garden Road
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F Chater House
8 Connaught Road
Central
Hong Kong

Crédit Agricole Corporate and Investment Bank
27/F, Two Pacific Place
88 Queensway
Hong Kong

Jefferies Hong Kong Limited
Suite 2201
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central, Hong Kong

Daiwa Capital Markets Hong Kong Limited
Level 28, One Pacific Place
88 Queensway
Hong Kong

Nomura International (Hong Kong) Limited
30/F Two International Finance Centre
8 Finance Street, Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Guosen Securities (HK) Capital Co., Ltd.
1604-6, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
Room 701, 7/F, One Pacific Place
88 Queensway
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Company (for ourselves and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 182,749,000 Offer Shares and the International Offering of initially 3,472,231,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus, any exercise of the Offer Size Adjustment Option and, in case of the International Offering, any exercise of the Over-allotment Option) of which 2,741,231,000 are new Shares, offered for sale by us and 731,000,000 are Sale Shares to be offered for sale by the Selling Shareholders.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offering Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Underwriters' Representatives (on behalf of the Underwriters) and the Company (on behalf of ourselves and the Selling Shareholders) agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offering Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Option Selling Shareholders have granted to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, and are expected to grant to the International Underwriters under the International Underwriting Agreement, the Offer Size Adjustment Option, exercisable by the Underwriters' Representatives on behalf of all Underwriters on or before the Price Determination Date, pursuant to which the Option Selling Shareholders may be required to sell up to an aggregate of 730,996,000 additional Shares, at the Offer Price, representing up to 20% of the total number of Offer Shares initially available under the Global Offering, to cover additional market demand, if any. Please refer to the section headed "Offer Size Adjustment Option".

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Public Offering Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

The Underwriters' Representatives (for themselves and one behalf of the Hong Kong Underwriters) shall be entitled by giving notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event or circumstance in or affecting the Cayman Islands, Hong Kong, the PRC, the U.S., the United Kingdom, the European Union or Japan (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**") in the nature of force majeure (including, without limitation, any acts of government, calamity, epidemic, pandemic, outbreak of infectious disease, economic sanctions, withdrawal of trading privileges, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

(ii) any change, or any development involving a prospective change, or any event or circumstance resulting in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, (A) securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Madrid Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or (B) securities of any member of the Group listed on a stock exchange or quoted on an over-the-counter market; or

(iv) any general moratorium on commercial banking activities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) any new law, or any change or any development involving a prospective change in existing laws or any event or circumstance resulting in a change or a development involving a prospective change in the interpretation or application thereof by any court or other competent authorities in or affecting any of the Relevant Jurisdictions; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control in any Relevant Jurisdiction; or

(vii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of the Group or the Selling Shareholders or the Option Selling Shareholders; or

(viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company; or

(ix) the chairman or chief executive officer of the Company vacating his office; or

(x) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xi) a material breach by any member of the Group of the Listing Rules or applicable laws; or

(xii) a prohibition on the Company or any of the Selling Shareholders or the Option Selling Shareholders from offering, allotting, issuing, selling or delivering the Offer Shares pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Underwriters' Representatives:

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, management, prospects, results of operations, financial or trading position or condition or performance of the Group as a whole; or

(B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Underwriters' Representatives:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus or the Application Forms, constitute a material omission therefrom; or

(iii) any material breach of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, the Selling Shareholders and the Option Selling Shareholders pursuant to the indemnity provision in the Hong Kong Underwriting Agreement; or

(v) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, management, prospects, results of operations, financial or trading position or condition or performance of any member of the Group; or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the warranties set out in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) any expert named in the section headed "Appendix IV — Statutory and General Information — Other Information — Consents" of this prospectus has withdrawn its consent to being named in any of this prospectus and the Application Forms or to the issue of any of this prospectus and the Application Forms.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) *Undertakings by The Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules which includes the issue of Shares pursuant to the Pre-IPO Share Option Scheme.

(B) *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that, except pursuant to the Stock Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by the Company*

Except for the offer and sale of the Offer Shares pursuant to the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), we have undertaken to each of the Joint Sponsors and the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other equity securities of the Company or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of the Company or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the Shares of the Company.

(B) *Undertakings by the Selling Shareholders and the Option Selling Shareholders*

Each of the Selling Shareholders and the Option Selling Shareholders has undertaken to each of the Company and the Hong Kong Underwriters that, without the prior written consent of the Company, the Joint Sponsors and the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, save for (a) the lending of Shares by CDH Shine pursuant to the Stock Borrowing Agreement, (b) the granting of the Over-allotment Option to the International Underwriters and any sale of the Shares pursuant to any exercise of the Over-allotment Option, and (c) any sale of the Sale Shares in the Global Offering, as applicable, it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein beneficially owned by it upon commencement of dealing in the Shares on the Listing Date (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities or any interest in any of the foregoing) (the "**Lock-up Securities**"), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

Undertakings Pursuant to Various Lock-up Deeds

(A) *Undertakings by MacRitchie Investments Pte. Ltd. ("MacRitchie")*

MacRitchie has undertaken to each of the Company and the Hong Kong Underwriters that, without the prior written consent of the Company, the Joint Sponsors and the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein beneficially owned by it upon commencement of dealing in the Shares on the Listing Date (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities or any interest in any of the foregoing) (the "**MacRitchie Lock-up Securities**"), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any MacRitchie Lock-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified

in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

(B) *Undertakings by Profit Summit Investments Limited ("Profit Summit")*

Profit Summit has undertaken to each of the Company and the Hong Kong Underwriters that, without the prior written consent of the Company, the Joint Sponsors and the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, save for (a) the transfer of any Shares held by Profit Summit in favour of Mountain King Investments Limited upon the exchange of the Tranche A Notes (as defined in the section headed "History, Development and Corporate Structure"), and (b) any shares that form part of the Exchangeable Notes Securities (as defined in the section headed "History, Development and Corporate Structure") in respect of the Tranche B Notes (as defined in the section headed "History, Development and Corporate Structure"), it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein beneficially owned by it upon commencement of dealing in the Shares on the Listing Date (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities or any interest in any of the foregoing) (the "**Profit Summit Lock-up Securities**"), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Profit Summit Lock-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period). The above undertaking does not affect Profit Summit continuing to mortgage the shares that form part of the Exchangeable Note Security (as defined in the section headed "History, Development and Corporate Structure") in respect of the Tranche B Notes (as defined in the section headed "History, Development and Corporate Structure").

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any material breach by the Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in The Company

As of the Latest Practicable Date, Standard Chartered Securities (Hong Kong) Limited was indirectly wholly owned by Standard Chartered PLC, and Temasek Holdings (Private) Limited held approximately 18.04% equity interest in Standard Chartered PLC, and through Dunearn Investments (Mauritius) Pte Ltd and MacRitchie Investments Pte. Ltd., held approximately 3.16% of the total issued share capital of the Company immediately before the Global Offering, which will represent approximately 2.25% of the total issued share capital of the Company immediately after the Global Offering (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised).

As of the Latest Practicable Date, CITIC Securities Co., Ltd. and its subsidiaries (of which CITIC Securities Corporate Finance (HK) Limited and CLSA Limited were both members), directly or indirectly, held approximately 0.51% shareholding in Shuanghui Development.

As of the Latest Practicable Date, Goldman Sachs, an associate of Goldman Sachs (Asia) L.L.C., held approximately 3.86% of the total issued share capital of the Company immediately before the Global Offering, which will represent approximately 2.75% of the total issued share capital of the Company immediately after the Global Offering (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised).

As of the Latest Practicable Date, Barclays Bank PLC had an equity interest of approximately 0.06% in Shuanghui Development.

As of the Latest Practicable Date, Deutsche Bank AG group of companies (of which Deutsche Bank AG, Hong Kong Branch was a member) had an equity interest of approximately 0.01% in Shuanghui Development.

As of the Latest Practicable Date, Merrill Lynch International, Merrill Lynch Far East Limited and their affiliates had an equity interest of approximately 0.05% shareholding in Shuanghui Development.

As of the Latest Practicable Date, Credit Suisse group of companies (of which Credit Suisse (Hong Kong) Limited was a member) had an equity interest of approximately 0.083% in Shuanghui Development.

As of the Latest Practicable Date, J.P. Morgan Chase & Co group of companies (of which J.P. Morgan Securities plc and J.P. Morgan Securities (Asia Pacific) Limited were members) had an equity interest of approximately of 0.02% in Shuanghui Development.

As of the Latest Practicable Date, The Hongkong and Shanghai Banking Corporation Limited had an equity interest of approximately 0.00011% in Shuanghui Development.

As of the Latest Practicable Date, Crédit Agricole Corporate and Investment Bank had an equity interest of approximately 0.0017% in Shuanghui Development.

Save as disclosed above, and for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any equity interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, our Company, the Selling Shareholders, the Option Selling Shareholders and the Over-allotment Selling Shareholders expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain condition set out therein, agree severally to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

The Over-allotment Selling Shareholders are expected to grant to the International Underwriters, exercisable by the Underwriters' Representatives (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Selling Shareholders to sell up to an aggregate of 548,247,000 additional Shares, representing no more than 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a commission of 1.5% of the gross proceeds from the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions.

For unsubscribed Hong Kong Public Offering Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters.

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately US$82.9 million (based on the mid-point of our indicative Offer Price range), of which approximately US$60.4 million is expected to be capitalized after the Listing. The remaining approximately US$22.5 million fees and expenses is expected to be charged to our profit and loss accounts. The Selling Shareholders, the Option Selling Shareholders and the Over-allotment Selling Shareholders will bear the commissions, fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fees with respect to the Shares sold by them in the Global Offering as well as certain other expenses as agreed or to be agreed in the Underwriting Agreements.

INDEPENDENCE OF THE JOINT SPONSORS

Apart from BOCI Asia Limited, the other Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Bank of China Limited, a holding company of BOCI Asia Limited, was one of the lending banks to the Syndicated Term Loan. As more than 15% of the proceeds raised from the Global Offering will be applied directly and indirectly to settle debts due to the sponsor group of BOCI Asia Limited in connection with the Syndicated Term Loan, BOCI Asia Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares). whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 182,749,000 Shares (subject to reallocation and the Offer Size Adjustment Option) for subscription by the public in Hong Kong as described in the section headed "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 3,472,231,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong and pursuant to a public offering without listing in Japan) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

Up to 730,996,000 additional Shares may be offered pursuant to the exercise of the Offer Size Adjustment Option as set forth in "— Offer Size Adjustment Option" in this section. Furthermore, up to 548,247,000 additional Shares, may be offered pursuant to the exercise of the Over-allotment Option as set forth in "— The International Offering — Over-allotment Option" in this section.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 182,749,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering and the exercise of the Offer Size Adjustment Option, the Hong Kong Public Offering Shares will, in maximum, represent approximately 1.25% of the issued share capital of the Company immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "— Conditions of the Global Offering" below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into 2 pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Public Offering Shares initially in Pool A and Pool B will be 91,374,500 and 91,374,500, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 91,374,500 Hong Kong Public Offering Shares (being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached. An application has been made for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be

reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 274,124,000 Offer Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option or the Over-allotment Option);

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 365,498,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option or the Over-allotment Option); and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 730,996,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option or the Over-allotment Option).

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Underwriters' Representatives deem appropriate. In addition, the Underwriters' Representatives may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Underwriters' Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Offering Shares to the International Offering in such proportions as the Underwriters' Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not

apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$11.25 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum price of HK$11.25 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Public Offering Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 3,472,231,000 Offer Shares, representing approximately 95% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering will also include a public offer without listing of Offer Shares in Japan. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and its shareholders as a whole.

The Underwriters' Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Underwriters' Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" in this section, the exercise of the Offer Size Adjustment Option or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

The Option Selling Shareholders have granted the Offer Size Adjustment Option to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and are expected to grant it to the International Underwriters under the International Underwriting Agreement. The Offer Size Adjustment Option provides the option to increase the number of Offer Shares available under the Global Offering to cover additional market demand in either the Hong Kong Public Offering or the International Offering, or both, as necessary. The Offer Size Adjustment Option is exercisable by the Underwriters' Representatives, on behalf of the Underwriters on or before the Price Determination Date, and will lapse immediately thereafter. In considering whether to exercise the Offer Size Adjustment Option, the Underwriters' Representatives will take into account the overall demand in the Offer Shares in both the Hong Kong Public Offering and the International Offering.

Under the terms of the Offer Size Adjustment Option, the Option Selling Shareholders may be required to sell up to 730,996,000 additional Offer Shares at the Offer Price. The Offer Size Adjustment Option may be exercised when there is sufficient market demand in both the Hong Kong Public Offering and the International Offering, or when there is sufficient demand in the International Offering but the Hong Kong Public Offering is not fully subscribed. The Offer Shares to be offered and sold under the Offer Size Adjustment Option, if any, will be allocated so as to, when applicable and necessary, maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application, if any, of the clawback arrangements as described in "—The Hong Kong Public Offering — Reallocation" in this section. If the Hong Kong Public Offering is not fully subscribed, then all of the Offer Shares to be offered and sold under the Offer Size Adjustment Option will be allocated to the International Offering and sold under the International Underwriting Agreement. The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option. As no new Shares will be issued under the Offer Size Adjustment Option (as all Offer Shares being offered under the Offer Size Adjustment Option will be existing Shares), there will be no dilution effect on investors' potential shareholding, nor will any additional proceeds be raised by the Company.

The Company will disclose in its announcement of the results of allocations for the Hong Kong Public Offering if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOTMENT OPTION

The Over-allotment Selling Shareholders are expected to grant to the International Underwriters, exercisable by the Underwriters' Representatives (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Selling Shareholders to sell up to an aggregate of 548,247,000 Shares, representing no more than 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

If the Over-allotment Option is exercised in full, the additional International Offering Shares to be sold pursuant thereto will represent approximately 3.75% of the issued share capital of the Company immediately after the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may borrow up to 548,247,000 Shares from CDH Shine, equivalent to the maximum number of Shares to be sold on full exercise of the Over-allotment Option, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to CDH Shine by the Stabilizing Manager in relation to the stock borrowing arrangement. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Friday, May 30, 2014, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Underwriters' Representatives, their affiliates or any person acting for them may cover such over-allocation by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager or any person acting for it may choose to borrow up to 548,247,000 Shares (being the maximum number of Shares which may be sold upon exercise of the Over-allotment Option) from CDH Shine pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager or any person acting for it and CDH Shine on or about the Price Determination Date or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with CDH Shine is entered into, it will only be effected by the Stabilizing Manager or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to CDH Shine or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to CDH Shine by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

OFFER SIZE

The table below sets out a summary of the total number of Hong Kong Public Offering Shares and International Offering Shares being offered in the Global Offering under a series of scenarios, depending on (i) whether a reallocation pursuant to the clawback arrangement under any of the three potential scenarios described in "— The Hong Kong Public Offering — Reallocation" in this section occurs and (ii) whether either or both of the Offer Size Adjustment Option and the Over-allotment Option is or are not exercised at all or exercised in full.

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner. The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering will first be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See "— The Hong Kong Public Offering — Reallocation" in this section. Following reallocation, in the event that the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing 20% of the total number of Offer Shares initially offered in the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering on a post-clawback basis. The Offer Size Adjustment Option will lapse if it is not exercised by the Price Determination Date. See "— Offer Size Adjustment Option" in this section. The number of Offer Shares to be made available under the International Offering may be further increased in the event that the Over-allotment Option is exercised. The maximum number of additional International Offering Shares to be offered pursuant to the exercise of the Over-allotment Option will represent 15% of the aggregate of the total number of Offer Shares initially available under the Global Offering. See "— The International Offering—Over-allotment Option" in this section.

	No clawback reallocation	**7.5% clawback reallocation**	**10% clawback reallocation**	**20% clawback reallocation**
Total number of Offer Shares before exercise of the Offer Size Adjustment Option and Over-allotment Option	182,749,000 Hong Kong Public Offering Shares 3,472,231,000 International Offering Shares	274,124,000 Hong Kong Public Offering Shares 3,380,856,000 International Offering Shares	365,498,000 Hong Kong Public Offering Shares 3,289,482,000 International Offering Shares	730,996,000 Hong Kong Public Offering Shares 2,923,984,000 International Offering Shares
Total number of Offer Shares after the exercise in full of the Offer Size Adjustment Option only (the Over-allotment Option is not exercised)	219,299,000 Hong Kong Public Offering Shares 4,166,677,000 International Offering Shares	328,949,000 Hong Kong Public Offering Shares 4,057,027,000 International Offering Shares	438,598,000 Hong Kong Public Offering Shares 3,947,378,000 International Offering Shares	877,196,000 Hong Kong Public Offering Shares 3,508,780,000 International Offering Shares
Total number of the Offer Shares after the exercise in full of the Over-allotment Option only (the Offer Size Adjustment Option is not exercised)	210,162,000 Hong Kong Public Offering Shares 3,993,065,000 International Offering Shares	315,243,000 Hong Kong Public Offering Shares 3,887,984,000 International Offering Shares	420,323,000 Hong Kong Public Offering Shares 3,782,904,000 International Offering Shares	840,646,000 Hong Kong Public Offering Shares 3,362,581,000 International Offering Shares
Total number of the Offer Shares after the exercise in full of the Offer Size Adjustment Option and the Over-allotment Option	246,712,000 Hong Kong Public Offering Shares 4,687,511,000 International Offering Shares	370,067,000 Hong Kong Public Offering Shares 4,564,156,000 International Offering Shares	493,423,000 Hong Kong Public Offering Shares 4,440,800,000 International Offering Shares	986,845,000 Hong Kong Public Offering Shares 3,947,378,000 International Offering Shares

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Company (for ourselves and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Tuesday, April 22, 2014 and in any event no later than Monday, April 28, 2014.

The Offer Price will not be more than HK$11.25 per Offer Share and is expected to be not less than HK$8.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Underwriters' Representatives (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.wh-group.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Company and the Underwriters' Representatives (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between the Company, the Selling Shareholders and the Underwriters' Representatives (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Underwriters' Representatives may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the

Hong Kong Public Offering shall not be less than 5.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Underwriters' Representatives.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, April 29, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.wh-group.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company (for ourselves and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between the Company (for ourselves and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Company (for ourselves and on behalf of the Selling Shareholders) and the Underwriters' Representatives (on behalf of the Underwriters) on or before Monday, April 28, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at **www.hkexnews.hk** and the Company at **www.wh-group.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Public Offering Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates issued in respect of the Hong Kong Public Offering Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme).

No part of the Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities

by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, April 30, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, April 30, 2014.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 288.

1. HOW TO APPLY

If you apply for Hong Kong Public Offering Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Public Offering Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Underwriters' Representatives, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offering Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Underwriters' Representatives may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed 4 and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offering Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offering Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate of any of the above; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFERING SHARES

Which Application Channel to Use

For Hong Kong Public Offering Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offering Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, April 15, 2014 until 12:00 noon on Tuesday, April 22, 2014 from:

(1) any of the following offices of the Hong Kong Underwriters:

BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.	32-33/F, Three Pacific Place 1 Queen's Road East Hong Kong
Standard Chartered Securities (Hong Kong) Limited	15/F, Two International Finance Centre 8 Finance Street Central Hong Kong
CITIC Securities Corporate Finance (HK) Limited	26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F Cheung Kong Center No.2 Queen's Road Central Central Hong Kong
UBS AG, Hong Kong Branch	52nd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
DBS Asia Capital Limited	17th Floor, The Center 99 Queen's Road Central Hong Kong

Barclays Bank PLC, Hong Kong Branch	41/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street, Central Hong Kong
Deutsche Bank AG, Hong Kong Branch	Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Merrill Lynch Far East Limited	15/F Citibank Tower 3 Garden Road Central Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited	28/F Chater House 8 Connaught Road Central Hong Kong
Crédit Agricole Corporate and Investment Bank	27/F, Two Pacific Place 88 Queensway Hong Kong
Jefferies Hong Kong Limited	Suite 2201 22/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Citigroup Global Markets Asia Limited	50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong

China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central, Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Daiwa Capital Markets Hong Kong Limited	Level 28, One Pacific Place 88 Queensway Hong Kong
Nomura International (Hong Kong) Limited	30/F Two International Finance Centre 8 Finance Street, Central Hong Kong
CMB International Capital Limited	Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road, Central Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Guosen Securities (HK) Capital Co., Ltd.	1604-6, Infinitus Plaza 199 Des Voeux Road Central Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central Hong Kong
ABCI Securities Company Limited	Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong

(2) or any of the following branches of the following receiving banks:

(i) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
Kowloon	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

(ii) **DBS Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	Hennessy Road Branch	G/F, 427-429 Hennessy Road, Causeway Bay
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47-48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin

(iii) **Industrial and Commercial Bank of China (Asia) Limited**

	Branch Name	**Address**
Hong Kong Island	Central Branch	1/F, 9 Queen's Road Central
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
Kowloon	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O

(iv) **Standard Chartered Bank (Hong Kong) Limited**

	Branch Name	**Address**
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F, Lok Fu Shopping Centre
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

(v) **Wing Lung Bank Limited**

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, April 15, 2014 until 12:00 noon on Tuesday, April 22, 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — WH Group Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, April 15, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, April 16, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, April 17, 2014 — 9:00 a.m. to 5:00 p.m.
- Tuesday, April 22, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, April 22, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Underwriters' Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offering Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offering Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offering Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offering Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offering Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Underwriters' Representative, will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the White Form eIPO Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, April 15, 2014 until 11:30 a.m. on Tuesday, April 22, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, April 22, 2014 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offering Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than 1 application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 per each "**WH Group Limited**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offering Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offering Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offering Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offering Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only 1 set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given 1 set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Underwriters' Representatives, will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offering Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offering Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Public Offering Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offering Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Public Offering Shares. Instructions for more than 500 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offering Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, April 15, 2014 — 9:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, April 16, 2014 — 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, April 17, 2014 — 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, April 22, 2014 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, April 15, 2014 until 12:00 noon on Tuesday, April 22, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, April 22, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than 1 application is made for your benefit, the number of Hong Kong Public Offering Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offering Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offering Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last

application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offering Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, April 22, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offering Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than 1 application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFERING SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Public Offering Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 22, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, April 22, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the indication of level of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering Shares on Tuesday, April 29, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.wh-group.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.wh-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, April 29, 2014;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, April 29, 2014 to 12:00 mid-night on Monday, May 5, 2014;

- by telephone inquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, April 29, 2014 to Friday, May 2, 2014;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, April 29, 2014, Wednesday, April 30, 2014 and Friday, May 2, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offering Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Underwriters' Representatives, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Public Offering Shares is void:**

The allotment of Hong Kong Public Offering Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within 3 weeks from the closing date of the application lists; or

- within a longer period of up to 6 weeks if the Listing Committee notifies the Company of that longer period within 3 weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Underwriters' Representatives believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offering Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$11.25 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, April 29, 2014.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive 1 share certificate for all Hong Kong Public Offering Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offering Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offering Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, April 29, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, April 30, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Public Offering Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, April 29, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, April 29, 2014, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Public Offering Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, April 29, 2014 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, April 29, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, April 29, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offering Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Public Offering Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, April 29, 2014, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, April 29, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Public Offering Shares

For the purposes of allocating Hong Kong Public Offering Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, April 29, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, April 29, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, April 29, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, April 29, 2014. Immediately following the credit of the Hong Kong Public Offering Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, April 29, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤‧關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

April 15, 2014

The Directors
WH Group Limited
BOCI Asia Limited
Morgan Stanley Asia Limited
Standard Chartered Securities (Hong Kong) Limited
CITIC Securities Corporate Finance (HK) Limited
Goldman Sachs (Asia) L.L.C.
UBS Securities Hong Kong Limited
DBS Asia Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding WH Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2013 (the "Relevant Periods") for inclusion in the prospectus of the Company dated April 15, 2014 (the "Prospectus").

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 on March 2, 2006. The Company acts as an investment holding company. Pursuant to the written resolutions passed by the shareholders of the Company, the name of the Company was changed from Shuanghui International Holdings Limited to Wanzhou Holdings Group Limited on December 31, 2013 and was further changed to WH Group Limited on January 14, 2014.

The Company has the following subsidiaries during the Relevant Periods and at the date of this report:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Glorious Link International Corporation *(Note 1)*	British Virgin Islands October 15, 2007	Share - US$1	100.00%	100.00%	100.00%	100.00%	Investment holding
Rotary Vortex Limited	Hong Kong February 28, 2006	Ordinary shares - HK$16,515,000,000	100.00%	100.00%	100.00%	100.00%	Investment holding and trading
Sun Constellation Luxco S.à.r.l.	Luxembourg May 24, 2013	Shares - US$2,020,000	—	—	100.00%	100.00%	Investment holding
Granta Investments sp.z.o.o.	Poland January 31, 2013	Shares - PLN5,000	—	—	100.00%	100.00%	Investment holding
United Global Foods (US) Holdings Inc.	U.S. July 2, 2013	Note 7	—	—	100.00%	100.00%	Investment holding
漯河雙匯海櫻調味料食品有限公司 (Luohe Shuanghui Haiying Seasoning Food Co., Ltd.)	Mainland China ("China") June 27, 2003	Registered capital - RMB27,876,635	60.00%	53.40%	53.40%	53.40%	Manufacture and sales of flavouring
漯河匯盛生物科技有限公司 (Luohe Huisheng Biological Technology Co., Ltd.) 前: 漯河雙匯泰威遜食品有限公司 (formerly known as Luohe Taiwei Morrison Food Co., Ltd.)	China April 29, 2003	Registered capital - RMB32,572,600	52.25%	52.25%	75.00%	75.00%	Manufacture and sales of hog casings and heparin
漯河雙匯意科生物環保有限公司 (Shineway-IBET Bio-environmental (Luohe) Co., Ltd.)	China April 10, 2006	Registered capital - EUR1,550,000	51.00%	51.00%	100.00%	100.00%	Production of biogas
河南省漯河市雙匯實業集團有限責任公司 (Henan Luohe Shuanghui Industry Group Co., Ltd.)	China August 29, 1994	Registered capital - RMB1,500,000,000	100.00%	100.00%	100.00%	100.00%	Investment holding
河南雙匯投資發展股份有限公司 (「雙匯發展」) (Henan Shuanghui Investment & Development Co., Ltd.) ("Shuanghui Development")#	China October 15, 1998	Shares - RMB2,200,578,448	51.45%	73.26%	73.26%	73.26%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of packaging materials and meat products

This company is listed on the A Shares Market of the Shenzhen Stock Exchange.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Subsidiaries of Shuanghui Development							
綿陽雙匯食品有限責任公司 (Mianyang Shuanghui Food Co., Ltd.)	China September 8, 1997	Registered capital - RMB93,054,719	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering, manufacture and sales of packaging materials and meat products
山東德州雙匯食品有限公司 (Shandong Dezhou Shineway Food Co., Ltd.)	China September 4, 2003	Registered capital - RMB190,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering, manufacture and sales of packaging materials and meat products
阜新雙匯肉類加工有限公司 (Fuxin Shineway Meat Processing Co., Ltd.)	China March 27, 2003	Registered capital - RMB173,000,000	80.00%	58.61%	58.61%	58.61%	Livestock slaughtering, manufacture and sales of packaging materials and meat products
湖北武漢雙匯食品有限公司 (Hubei Wuhan Shuanghui Food Co., Ltd.)	China April 27, 2004	Registered capital - RMB180,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
唐山雙匯食品有限責任公司 (Tangshan Shineway Food Co., Ltd.)	China November 22, 2001	Registered capital - RMB165,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
江蘇淮安雙匯食品有限公司 (Jiangsu Huai'an Shineway Food Co., Ltd.)	China November 13, 2007	Registered capital - RMB355,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
濟源雙匯食品有限公司 (Jiyuan Shuanghui Food Co., Ltd.)	China September 18, 2008	Registered capital - RMB200,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
昆明雙匯食品有限公司 (Kunming Shuanghui Food Co., Ltd.)	China May 28, 2010	Registered capital - RMB300,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products *(Note 2)*
南昌雙匯食品有限公司 (Nanchang Shuanghui Food Co., Ltd.)	China April 30, 2010	Registered capital - RMB300,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
鄭州雙匯食品有限公司 (Zhengzhou Shuanghui Food Co., Ltd.)	China April 8, 2010	Registered capital - RMB500,000,000	100.00%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
宜昌雙匯食品有限責任公司 (Yichang Shineway Food Co., Ltd.)	China March 12, 2002	Registered capital - RMB120,000,000	51.45%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31,				Principal activities
			2011	2012	2013	At the date of this report	
南寧雙匯食品有限公司 (Nanning Shuanghui Food Co., Ltd.)	China December 9, 2010	Registered capital - RMB480,000,000	51.45%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
瀋陽雙匯食品有限公司 (Shenyang Shuanghui Food Co., Ltd.)	China December 31, 2010	Registered capital - RMB120,000,000	51.45%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products *(Note 2)*
長春雙匯食品有限公司 (Changchun Shuanghui Food Co., Ltd.)	China January 13, 2011	Registered capital - RMB150,000,000	51.45%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products *(Note 2)*
陝西雙匯食品有限公司 (Shaanxi Shuanghui Food Co., Ltd.)	China November 19, 2013	Registered capital - RMB100,000,000	—	—	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products *(Note 2)*
漯河雙匯萬中禽業加工有限公司 (Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd.)	China April 29,2009	Registered capital - RMB100,000,000	90.00%	65.94%	65.94%	65.94%	Livestock slaughtering and manufacture and sales of meat products
浙江金華雙匯食品有限公司 (Zhejiang Jinhua Shineway Food Co., Ltd.)	China January 22, 2003	Registered capital - RMB75,000,000	41.16% *(Note 6)*	58.61%	58.61%	58.61%	Livestock slaughtering and manufacture and sales of meat products
望奎雙匯北大荒食品有限公司 (Wangkui Shuanghui Beidahuang Food Co., Ltd.)	China January 25, 2008	Registered capital - RMB50,000,000	75.00%	54.95%	54.95%	54.95%	Livestock slaughtering and manufacture and sales of meat products
黑龍江寶泉嶺雙匯北大荒食品有限公司 (Baoquanling Shuanghui Beidahuang Food Co., Ltd.)	China March 13, 2009	Registered capital - RMB100,000,000	75.00%	54.95%	54.95%	54.95%	Livestock slaughtering and manufacture and sales of meat products
廣東雙匯食品有限公司 (Guangdong Shineway Food Co., Ltd.)	China September 3, 2002	Registered capital - RMB206,000,000	100.00%	— *(Note 3)*	— *(Note 3)*	— *(Note 3)*	Livestock slaughtering and manufacture and sales of meat products
漯河雙匯肉業有限公司 (Luohe Shuanghui Meat Industry Co., Ltd.)	China April 27, 2010	Registered capital - RMB500,000,000	100.00%	73.26%	73.26%	73.26%	Research and development of meat products; manufacture and sales of packaging materials and meat products
華懋雙匯實業(集團)有限公司 (Chinachem Shuanghui Industry (Group) Co., Ltd.)	China February 24, 1994	Registered capital - RMB380,148,537	51.45%	73.26%	73.26%	73.26%	Manufacture and sales of meat products

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31,				Principal activities
			2011	2012	2013	At the date of this report	
漯河華意食品有限公司 (Luohe Huayi Food Co., Ltd.)	China August 2, 1995	Registered capital - RMB54,173,600	51.45%	73.26%	73.26%	73.26%	Manufacture and sales of meat products
蕪湖雙匯食品有限公司 (Wuhu Shuanghui Food Co., Ltd.)	China December 20, 2010	Registered capital - RMB300,000,000	51.45%	73.26%	73.26%	73.26%	Livestock slaughtering and manufacture and sales of meat products
阜新匯福食品有限公司 (Fuxin Huifu Food Co., Ltd.)	China July 26, 2001	Registered capital - RMB37,245,150	80.00%	58.61%	58.61%	58.61%	Manufacture and sales of meat products
哈爾濱雙匯北大荒食品有限公司 (Harbin Shuanghui Beidahuang Food Co., Ltd.)	China January 23, 2008	Registered capital - RMB50,000,000	75.00%	54.95%	54.95%	54.95%	Manufacture and sales of meat products
上海雙匯大昌有限公司 (Shanghai Shineway DCH Co., Ltd.)	China March 25, 1998	Registered capital - RMB194,750,000	44.83% *(Note 6)*	54.19%	54.19%	54.19%	Manufacture and sales of meat products
漯河匯特食品有限公司 (Luohe Huite Food Co., Ltd.)	China August 6, 1999	Registered capital - RMB26,720,596	36.02% *(Note 6)*	51.28%	51.28%	51.28%	Manufacture and sales of meat products
阜新雙匯食品有限責任公司 (Fuxin Shuanghui Food Co., Ltd.)	China May 28, 1998	Registered capital - RMB74,770,000	26.24% *(Note 6)*	37.36% *(Note 6)*	37.36% *(Note 6)*	37.36% *(Note 6)*	Manufacture and sales meat products
內蒙古雙匯食品有限公司 (Inner Mongolia Shuanghui Food Co., Ltd.)	China May 16, 1997	Registered capital - RMB115,470,000	76.71%	— *(Note 3)*	— *(Note 3)*	— *(Note 3)*	Manufacture and sales of meat products
漯河連邦化學有限公司 (Luohe Lianbang Chemical Co., Ltd.)	China March 15, 2004	Registered capital - RMB40,000,000	100.00%	73.26%	73.26%	73.26%	Manufacture and sales of packaging materials
漯河雙匯彩印包裝有限公司 (Luohe Shuanghui Printing & Packaging Co., Ltd.)	China February 2, 1999	Registered capital - RMB26,520,416	95.75%	70.15%	73.26%	73.26%	Manufacture and sales of packaging materials
漯河弘毅新材料有限公司 (Luohe Hongyi New Material Co., Ltd.)	China August 6,2002	Registered capital - RMB13,077,386	100.00%	73.26%	73.26%	73.26%	Manufacture and sales of packaging materials
漯河天潤彩印包裝有限公司 (Luohe Tianrun Printing & Packaging Co., Ltd.)	China August 28, 2003	Registered capital - RMB32,000,000	100.00%	73.26%	73.26%	73.26%	Manufacture and sales of packaging materials
漯河卓智新型包裝有限公司 (Luohe Zhuozhi New Packaging Co., Ltd.)	China April 22,2003	Registered capital - RMB39,800,000	100.00%	73.26%	73.26%	73.26%	Manufacture and sales of packaging materials

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
漯河華懋雙匯膠印有限公司 (Luohe Chinachem Shuanghui Offset Printing Co., Ltd.)	China May 31, 1999	Registered capital - US$6,070,900	48.88% *(Note 6)*	69.60%	69.60%	69.60%	Manufacture and sales of packaging materials
漯河華懋雙匯塑料工程有限公司 (Luohe Chinachem Shuanghui Plastic Processing Co., Ltd.)	China December 25, 1995	Registered capital - US$4,920,000	43.61% *(Note 6)*	62.10%	62.10%	62.10%	Manufacture and sales of packaging materials
漯河華豐投資有限公司 (Luohe Huafeng Investment Co., Ltd.)	China September 25, 2000	Registered capital - RMB42,297,200	75.00%	54.95%	54.95%	54.95%	Manufacture and sales of packaging materials
舞鋼華懋雙匯食品有限公司 (Wugang Chinachem Shuanghui Food Co., Ltd.)	China April 9, 1997	Registered capital - RMB9,387,755	26.24% *(Note 6)*	73.26%	73.26%	73.26%	Manufacture and sales of packaging materials
漯河雙匯保鮮包裝有限公司 (Luohe Shuanghui Freshening Packaging Co., Ltd.)	China December 6,1999	Registered capital - RMB27,818,784	40.29% *(Note 6)*	36.63% *(Note 6)*	36.63% *(Note 6)*	36.63% *(Note 6)*	Manufacture and sales of packaging materials
漯河華懋雙匯包裝制業有限公司 (Luohe Chinachem Shuanghui Packing Product Co., Ltd.)	China December 8,1995	Registered capital - US$3,360,900	48.88% *(Note 6)*	69.60%	69.60%	— *(Note 10)*	Manufacture and sales of packaging materials
漯河雙匯新材料有限公司 (Luohe Shineway New Material Co., Ltd.)	China December 16, 2002	Registered capital - RMB68,500,000	63.59%	— *(Note 3)*	— *(Note 3)*	— *(Note 3)*	Manufacture and sales of packaging materials
漯河華懋雙匯化工包裝有限公司 (Luohe Chinachem Shuanghui Chemical Packing Co., Ltd.)	China December 14, 1995	Registered capital - US$38,536,160	64.63%	— *(Note 3)*	— *(Note 3)*	— *(Note 3)*	Manufacture and sales of packaging materials
漯河匯興牧業有限公司 (Luohe Huixing Animal - Husbandry Co., Ltd.)	China November 7, 2013	Registered capital - RMB30,000,000	—	—	73.26%	73.26%	Livestock breeding
葉縣雙匯牧業有限公司 (Yexian Shineway Animal-Husbandry Co., Ltd.)	China August 22, 2008	Registered capital - RMB201,000,000	63.59%	73.26%	73.26%	73.26%	Livestock breeding
河南萬東牧業有限公司 (Henan Wandong Animal-Husbandry Co., Ltd.)	China March 14, 2002	Registered capital - RMB183,240,000	38.59% *(Note 6)*	54.95%	54.95%	54.95%	Livestock breeding
漯河雙匯牧業有限公司 (Luohe Shineway Animal-Husbandry Co., Ltd.)	China April 16, 2001	Registered capital - RMB23,000,000	63.59%	— *(Note 3)*	— *(Note 3)*	— *(Note 3)*	Livestock breeding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
濟源雙匯牧業有限公司 (Jiyuan Shineway Animal-Husbandry Co., Ltd.)	China December 17, 2010	Registered capital - RMB100,000,000	51.45%	73.26%	73.26%	73.26%	Livestock breeding *(Note 2)*
漯河雙匯萬中禽業發展有限公司 (Luohe Shuanghui Wanzhong Poultry Development Co., Ltd.)	China April 29, 2009	Registered capital - RMB600,000,000	90.00%	65.94%	65.94%	65.94%	Poultry breeding, sales of poultry products
漯河雙匯油脂工業有限公司 (Luohe Shuanghui Lipid Industry Co., Ltd.)	China December 10, 2003	Registered capital - RMB14,000,000	51.45%	73.26%	73.26%	73.26%	Research, development, manufacture and sales of animal's lipids products
漯河華懋雙匯動力有限公司 (Luohe Chinachem Shuanghui Energy Co., Ltd.)	China August 14, 1996	Registered capital - RMB12,838,103	51.45%	73.26%	73.26%	73.26%	Provision of water, electricity and gas
鄭州雙匯西點面業有限公司 (Zhengzhou Shuanghui Flour Co., Ltd.)	China September 9, 2011	Registered capital - RMB10,000,000	100.00%	100.00%	100.00%	100.00%	Manufacture and sales of flour products *(Note 2)*
漯河雙匯食品銷售有限公司 (Luohe Shuanghui Food Sales Co., Ltd)	China October 26,2012	Registered capital - RMB50,000,000	—	73.26%	73.26%	73.26%	Wholesaling and retailing of meat products
漯河雙匯進出口貿易有限責任公司 (Luohe Shuanghui Import & Export Co., Ltd.)	China October 9, 1999	Registered capital - RMB8,370,000	75.00%	54.95%	54.95%	54.95%	Import and export of goods
漯河雙匯生物工程技術有限公司 (Luohe Shuanghui Bioengineering Technologies Co., Ltd.)	China October 12,1995	Registered capital - US$4,000,000	38.59% *(Note 6)*	54.95%	54.95%	54.95%	Manufacture and sales of spices, flavours, fragrances, & lipid products
漯河天瑞生化有限公司 (Luohe Tianrui Biochemicals Co., Ltd.)	China August 6, 2002	Registered capital - US$750,000	75.00%	54.95%	54.95%	54.95%	Manufacture and sales of natural food additives
漯河雙匯計算機軟件有限責任公司 (Luohe Shineway Computer Software Co., Ltd.)	China October 11, 2000	Registered capital - RMB10,000,000	51.00%	51.00%	51.00%	51.00%	Research and development, and sales of computer software products
漯河雙匯物流投資有限公司 (Luohe Shuanghui Logistics Investment Co., Ltd.)	China May 23, 2003	Registered capital - RMB70,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Investment holding and provision of logistics support services
武漢雙匯物流有限公司 (Wuhan Shuanghui Logistics Co., Ltd.)	China July 4, 2003	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
北京雙匯物流有限公司 (Beijing Shuanghui Logistics Co., Ltd.)	China October 24,2003	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
山東雙匯物流有限公司 (Shandong Shuanghui Logistics Co., Ltd.)	China June 2, 2004	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
阜新雙匯物流有限公司 (Fuxin Shuanghui Logistics Co., Ltd.)	China July 22, 2004	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
清遠雙匯物流有限公司 (Qingyuan Shuanghui Logistics Co., Ltd.)	China August 10, 2004	Registered capital - RMB7,200,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
鄭州雙匯物流有限公司 (Zhengzhou Shineway Logistics Co., Ltd.)	China December 3, 2007	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
四川雙匯物流有限公司 (Sichuan Shineway Logistics Co., Ltd.)	China November 28, 2007	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
江蘇雙匯物流有限公司 (Jiangsu Shineway Logistics Co., Ltd.)	China December 17,2007	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
黑龍江雙匯物流有限公司 (Heilongjiang Shineway Logistics Co., Ltd.)	China May 26,2008	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
宜昌雙匯物流有限公司 (Yichang Shuanghui Logistics Co., Ltd.)	China May 7, 2010	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
內蒙古雙匯物流有限公司 (Inner Mongolia Shuanghui Logistics Co., Ltd.)	China February 4, 2010	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
上海雙匯物流有限公司 (Shanghai Shuanghui Logistics Co., Ltd.)	China September 7,2010	Registered capital - RMB10,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
濟源雙匯物流有限公司 (Jiyuan Shuanghui Logistics Co., Ltd.)	China January 6, 2011	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Provision of transportation services
漯河雙匯物流運輸有限公司 (Luohe Shuanghui Logistics Transporting Co., Ltd.)	China December 28, 2000	Registered capital - RMB15,891,180	22.31% *(Note 6)*	43.35% *(Note 6)*	85.00%	85.00%	Provision of transportation services

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
蕪湖匯興物流有限公司 (Wuhu Huixing Logistics Co., Ltd.)	China April 18, 2013	Registered capital - RMB5,000,000	—	—	85.00%	85.00%	Provision of transportation services
江西雙匯物流有限公司 (Jiangxi Shuanghui Logistics Co., Ltd.)	China January 17, 2011	Registered capital - RMB6,000,000	43.74% *(Note 6)*	85.00%	85.00%	85.00%	Inactive
湖北雙匯商業投資有限公司 (Hubei Shuanghui Commerce Investment Co., Ltd.)	China January 7, 2003	Registered capital - RMB25,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
漯河雙匯商業投資有限公司 (Luohe Shuanghui Commerce Investment Co., Ltd.)	China August 6, 2002	Registered capital - RMB30,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Investment holding
鄭州雙匯商業連鎖有限公司 (Zhengzhou Shuanghui Commerce Chain Co., Ltd.)	China January 10, 2000	Registered capital - RMB6,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
安陽雙匯商業連鎖有限責任公司 (Anyang Shuanghui Commerce Chain Co., Ltd.)	China May 21, 2001	Registered capital - RMB3,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
洛陽雙匯商業連鎖有限責任公司 (Luoyang Shuanghui Commerce Chain Co., Ltd.)	China November 13, 2001	Registered capital - RMB2,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
平頂山市雙匯商業連鎖有限公司 (Pingdingshan Shuanghui Commerce Chain Co., Ltd.)	China October 6,2008	Registered capital - RMB1,010,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
信陽雙匯商貿連鎖有限公司 (Xinyang Shuanghui Commerce Chain Co., Ltd.)	China October 28, 2008	Registered capital - RMB1,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
許昌雙匯商業連鎖有限公司 (Xuchang Shuanghui Commerce Chain Co., Ltd.)	China August 13, 2008	Registered capital - RMB1,000,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
濟源雙匯銷售連鎖有限公司 (Jiyuan Shuanghui Sales Chain Co., Ltd.)	China July 30, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
濮陽市雙匯商業連鎖有限公司 (Puyang Shuanghui Commerce Chain Co., Ltd.)	China October 14, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
商丘市雙匯商業連鎖有限公司 (Shangqiu Shuanghui Commerce Chain Co., Ltd.)	China December 9, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
新鄉雙匯商業連鎖有限公司 (Xinxiang Shuanghui Commerce Chain Co., Ltd.)	China October 22, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
周口雙匯商業連鎖有限公司 (Zhoukou Shuanghui Commerce Chain Co., Ltd.)	China December 23, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
宜昌雙匯商業投資有限公司 (Yichang Shuanghui Commerce Investment Co., Ltd.)	China July 28, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
焦作市雙匯商業連鎖有限公司 (Jiaozuo Shuanghui Commerce Chain Co., Ltd.)	China November 29, 2009	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
鶴壁雙匯商業連鎖有限公司 (Hebi Shuanghui Commerce Chain Co., Ltd.)	China January 26, 2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
開封雙匯商貿有限公司 (Kaifeng Shuanghui Commerce Chain Co., Ltd.)	China February 9, 2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
三門峽雙匯商貿有限公司 (Sanmenxia Shuanghui Commerce Chain Co., Ltd.)	China February 1, 2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
駐馬市雙匯食品連鎖有限公司 (Zhumadian Shuanghui Commerce Chain Co., Ltd.)	China April 15,2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	62.27%	73.26%	73.26%	Operation of retail stores
漯河雙匯商業連鎖有限公司 (Luohe Shuanghui Commerce Chain Co., Ltd.)	China December 17, 1999	Registered capital - RMB6,050,000	22.74% *(Note 6)*	32.38% *(Note 6)*	38.10% *(Note 6)*	38.10% *(Note 6)*	Operation of retail stores
淮安雙匯商貿連鎖有限公司 (Huai'an Shuanghui Commerce Chain Co., Ltd.)	China August 23, 2010	Registered capital - RMB3,000,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores
黃石雙匯商業投資有限公司 (Huangshi Shuanghui Commerce Investment Co., Ltd.)	China August 28, 2010	Registered capital - RMB1,000,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores
阜陽雙匯商業連鎖有限公司 (Fuyang Shuanghui Commerce Chain Co., Ltd.)	China July 28, 2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores
南陽雙匯商業連鎖有限公司 (Nanyang Shuanghui Commerce Chain Co., Ltd.)	China June 2, 2010	Registered capital - RMB1,500,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
孝感雙匯商業投資有限公司 (Xiaogan Shuanghui Commerce Investment Co., Ltd.)	China June 3, 2010	Registered capital - RMB1,000,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores
運城雙匯商業銷售有限公司 (Yuncheng Shuanghui Commerce Sales Co., Ltd.)	China August 18, 2010	Registered capital - RMB2,000,000	43.74% *(Note 6)*	— *(Note 4)*	— *(Note 4)*	— *(Note 4)*	Operation of retail stores
南寧雙匯物流有限公司 (Nanning Shuanghui Logistics Co., Ltd.)	China January 20, 2014	Registered capital - RMB2,000,000	—	—	—	85.00%	Provision of transportation services
史密斯菲爾德(上海)食品有限公司 (Smithfield (Shanghai) Food Co., Ltd.)	China February 24, 2014	Registered capital - RMB10,000,000	—	—	—	45.18% *(Note 6)*	Import of meat products
Smithfield Foods, Inc. ("Smithfield")[##]	United States of America ("U.S.") July 25, 1997	Note 7	—	—	100%	100%	Investment holding
Subsidiaries of Smithfield							
AgProtein, Inc.	U.S. October 9, 1995	Note 7	—	—	75.00%	75.00%	Animal carcass removal
Ag Provision, LLC	USA June 24, 1996	Note 7	—	—	50.00%	50.00%	Distribution of farm and agricultural supplies to merchant wholesalers
AGRI PLUS Sp. z.o.o.	Poland May 21, 2002	Shares - PLN235,900,000	—	—	100.00%	100.00%	Investment holding
AGRI PLUS WIELKOPOLSKA S.A.	Poland April 11, 2002	Shares - PLN20,469,000	—	—	100.00%	100.00%	Investment holding
Agri Vet Sp. z.o.o.	Poland March 1, 2006	Shares - PLN50,000	—	—	100.00%	100.00%	Veterinary services
Agroalim Distribution S.R.L.	Romania March 10, 1999	Shares - RON16,454,604	—	—	100.00%	100.00%	Wholesale trade of meat and meat products
Agroalim Logistic S.A.	Romania January 28, 1993	Shares - RON1,522,968	—	—	99.73%	99.73%	Property rental
American Skin Food Group LLC	U.S. July 14, 2005	Note 7	—	—	70.00%	70.00%	Manufacturing and supplying pork rinds to snack food

[##] This company was listed on the New York Stock Exchange and was delisted from the stock exchange market on September 26, 2013, immediately after the acquisition by the Group and remained as a registrant under U.S. Securities and Exchange Commission.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Animex Foods, Sp. z.o.o.	Poland August 17, 2011	Shares - PLN505,000	—	—	100.00%	100.00%	Investment holding
Animex Foods Sp. z.o.o. S.K.A.	Poland April 01, 2013	Shares - PLN654,111,200	—	—	100.00%	100.00%	Production of meat and meat products
ANIMEX Holding Sp. z o.o.	Poland January 5, 2002	Shares - PLN117,268,450	—	—	100.00%	100.00%	Investment holding
ANIMEX Invest sp. z o.o.	Poland July 2, 2013	Shares - PLN5,000.00	—	—	100.00%	100.00%	Business and other management consultancy activities
Animex Netherlands BV	Netherlands June 7, 2011	Common shares - EUR18,000	—	—	100.00%	100.00%	Investment holding
Animex SF, Sp. z.o.o.	Poland September 9, 2011	Shares - PLN305,000	—	—	100.00%	100.00%	Investment holding
Animex SF, Sp. z o.o Agro S.K.A.	Poland September 5, 1993	Shares - PLN6,475,500	—	—	100.00%	100.00%	Investment holding
Animex SF, Sp. z o.o. Euro Comfort Ltd. S.K.A.	Poland January 3, 2010	Shares - PLN901,930,000	—	—	100.00%	100.00%	Investment holding
Animex SF, Sp. z o.o. Parze S.K.A.	Poland March 29, 2012	Shares - PLN500,000	—	—	100.00%	100.00%	Investment holding
Animex SF, Sp. z o.o GP S.K.A.	Poland March 28, 2012	Shares - PLN16,780,000	—	—	100.00%	100.00%	Investment holding
Animex Sp. z o.o.	Poland April 18, 2002	Shares - PLN584,915,500	—	—	100.00%	100.00%	Sales of meat and meat products
ANIMPOL SF Sp. z o.o.	February 26, 2013	Shares - PLN500,000.00	—	—	100.00%	100.00%	Investment holding
Animpol S.A.	Poland April 22, 1991	Shares - PLN14,762,500	—	—	100.00%	100.00%	Investment holding
Armour-Eckrich Meats LLC	U.S. September 18, 2006	Note 7	—	—	100.00%	100.00%	Retail, deli and food service channels
Beef Liquidation Corp.	U.S. August 13, 2008	Common shares - 1,000	—	—	100.00%	100.00%	Cattle slaughtering and beef liquidation
Best Solutions LLC	U.S. June 20, 2001	Common shares - US$1,000	—	—	57.14%	57.14%	Development and commercialisation of an integrated system for managing hog manure
Brown's Realty Partnership	U.S. April 29, 2002	Note 7	—	—	100.00%	100.00%	Land and property holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Carroll's Realty Partnership	U.S. December 2, 1992	Note 7	—	—	100.00%	100.00%	Land and property holding
Cattle Inventory, LLC	U.S. August 13, 2008	Note 7	—	—	100.00%	100.00%	Inactive
CC32 Fundusz Inwestycyjnny Zamknietcy	Poland July 11, 2011	Note 8	—	—	100.00%	100.00%	Investment holding
Chief Milling Partners, Inc	U.S. October 7, 1993	Common shares - US$1,000,000	—	—	100.00%	100.00%	Feed mills operation
Cold Field Investments, LLC	U.S. January 22, 2004	Note 7	—	—	100.00%	100.00%	Investment holding
Duplin Marketing Company, LLC	U.S. October 11, 1995	Note 7	—	—	100.00%	100.00%	Wholesale distribution of fresh, cured, and processed meat and lard
Farmland Foods, Inc.	U.S. July 7, 2003	Common shares - US$100	—	—	100.00%	100.00%	Manufacturing of pork and hog producer
Ferma Kraplewice Sp. z o.o.	Poland January 8, 2001	Shares - PLN15,000,000	—	—	100.00%	100.00%	Livestock slaughtering, manufacturing and sales of meat products
Hofstede Beheer BV	Netherlands August 23, 1989	Common shares - EUR6,500	—	—	100.00%	100.00%	Investment holding
Iowa Quality Meats, Ltd.	France August 6, 1980	Common shares - US$36,816	—	—	100.00%	100.00%	Meat processing
John Morrell & Co.	U.S. December 7, 1967	Common shares - US$1,000	—	—	100.00%	100.00%	Meat processing (ham, smoked sausage, hot dogs, deli meats, bacon, pulled pork and dry sausage)
Jonmor Investments, Inc.	U.S. March 27, 1996	Common shares - US$100	—	—	100.00%	100.00%	Investment holding
Kansas City Sausage Company LLC	U.S. April 30, 2013	Note 7	—	—	50% *(Note 9)*	50% *(Note 9)*	Sausage production
KC2 Real Estate LLC	U.S. March 26, 2007	Note 7	—	—	100.00%	100.00%	Property holding
MF Energy, LLC	U.S. March 17, 2006	Note 7	—	—	100.00%	100.00%	Inactive
Morena Expert S.R.L.	Romania August 28, 2002	Shares - RON4,074,700	—	—	100.00%	100.00%	Business and management consultancy

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Murphy-Brown LLC	U.S. February 28, 2001	Note 7	—	—	100.00%	100.00%	Hog farming and feeding operations
Murphy-Brown of Missouri LLC	U.S. August 2, 2007	Note 7	—	—	100.00%	100.00%	Hog farming and feeding operations
Murphy Farms of Texahoma, Inc.	U.S. October 20, 1993	Common shares - 100,000	—	—	100.00%	100.00%	Hog farming and feeding operations
North Side Investments, Inc.	U.S. September 21, 1998	Common shares - 100	—	—	100.00%	100.00%	Investment holding
NPD Investments, Inc.	U.S. April 5, 2000	Common shares - 1,000	—	—	100.00%	100.00%	Investment holding
Patcud Investments, Inc.	U.S. October 2, 1991	Common shares - 1,000	—	—	100.00%	100.00%	Investment holding
Patelina SL	Spain March 2, 2011	Common shares - EUR3,300	—	—	100.00%	100.00%	Inactive
Patrick Cudahy, LLC	U.S. 18 April 2011	Note 7	—	—	100.00%	100.00%	Manufacturing of smoked bacon, ham and deli meats
PEK (London) Ltd.	United Kingdom June 3, 1976	Note 7	—	—	100.00%	100.00%	Wholesale distribution of general line groceries and raw farm products
Pirin Agri S.R.L.	Romania August 28, 2002	Shares - RON4,069,190	—	—	100.00%	100.00%	Cultivation of grains (excluding rice), vegetables and oil seed plants
Premium Pet Health, LLC	U.S. November 19, 2004	Note 7	—	—	100.00%	100.00%	Research and development
Prima Farms Sp. z o.o.	Poland January 5, 2002	Shares - PLN307,100,000	—	—	100.00%	100.00%	Investment holding
QTF Liquidation Corp.	U.S. July 17, 2001	Common shares - US$1,000	—	—	100.00%	100.00%	Inactive
RMHF Liquidation, LLC	U.S. October 11, 2001	Note 7	—	—	100.00%	100.00%	Inactive
SF Holding Sp. z o.o.	Poland June 13, 2001	Shares - PLN605,784,000	—	—	100.00%	100.00%	Investment holding
SF Investments, Inc.	U.S. February 21, 1990	Common shares - US$2,230	—	—	100.00%	100.00%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
SF Marketing Sub, Inc.	U.S. June 3, 2008	Common shares - US$100	—	—	100.00%	100.00%	Inactive
SFDS Global Holdings B.V.	Netherlands March 31, 2000	Common shares - US$1	—	—	100.00%	100.00%	Investment holding
SFFC, Inc.	U.S. June 28, 1991	Common shares - US$1,000	—	—	100.00%	100.00%	Provision of treasury service
SFRMH Liquidation, Inc.	U.S. March 22, 1978	Common shares - US$1,000	—	—	100.00%	100.00%	Inactive
Smithfield Asia Holdings, Limited	British Virgin Islands December 13, 2001	Shares - US$1,000	—	—	100.00%	100.00%	Investment holding
Smithfield Bioenergy LLC	U.S. December 19, 2003	Note 7	—	—	100.00%	100.00%	Biotechnology products and services
Smithfield Canada Ltd.	Canada October 6, 2011	Note 7	—	—	100.00%	100.00%	Inactive
Smithfield Capital Europe, B.V.	Netherlands July 8, 2006	Shares - US$1,000	—	—	100.00%	100.00%	Investment holding
Smithfield Capital Trust I	U.S. June 10, 2003	Note 7	—	—	100.00%	100.00%	Investment holding
Smithfield-Carroll's Farms	U.S. January 1, 1987	Note 7	—	—	100.00%	100.00%	Hog farm operation
Smithfield Culinary Foods Group LLC	U.S. May 8, 2003	Note 7	—	—	100.00%	100.00%	Investment holding
Smithfield Deli Group, Inc.	U.S. January 7, 2005	Common shares - US$1,000	—	—	100.00%	100.00%	Production of subway-branded deli meats and cheeses
Smithfield Ferme S.R.L.	Romania October 5, 2000	Shares - RON551,771,040	—	—	100.00%	100.00%	Hog production
Smithfield Foods de Mexico, S. de R.L. de C.V.	Mexico June 25, 1998	Note 7	—	—	100.00%	100.00%	Investment holding
Smithfield Foods Group Ltd.	United Kingdom October 27, 2003	Note 7	—	—	100.00%	100.00%	Provision of administrative services
Smithfield Foods Ltd.	United Kingdom November 24, 2003	Note 7	—	—	100.00%	100.00%	Wholesale of meat products
Smithfield Global Products, Inc.	U.S. April 11, 2000	Common shares - US$100	—	—	100.00%	100.00%	Meat processing

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Smithfield Innovations Group, LLC	U.S. May 8, 2003	Note 7	—	—	100.00%	100.00%	Development, marketing and production of meat related products
Smithfield Insurance Co. Ltd.	Bermuda March 19, 2001	Shares - US$100	—	—	100.00%	100.00%	Captive insurance
Smithfield International Group de Mexico, S. de R.L de C.V.	Mexico July 5, 2012	Note 7	—	—	100.00%	100.00%	Export sales of meat products
Smithfield International Investments, Inc.	U.S. July 10, 1998	Common shares - US$200	—	—	100.00%	100.00%	Investment holding
Smithfield-Kinston LLC	U.S. September 20, 2011	Note 7	—	—	100.00%	100.00%	Investment holding
Smithfield Processare S.R.L.	Romania December 10, 2001	Shares - RON71,569,050	—	—	100.00%	100.00%	Non-hazardous waste treatment and elimination
Smithfield Prod S.R.L.	Romania August 15, 2002	Shares - RON150,243,340	—	—	100.00%	100.00%	Manufacture and trading of meat products
Smithfield Purchase Corporation	U.S. April 30, 1999	Common shares - US$100	—	—	100.00%	100.00%	Investment holding
Smithfield Receivables Funding, LLC	U.S. May 31, 2011	Note 7	—	—	100.00%	100.00%	Securitization financing *(Note 11)*
Smithfield Romania S.R.L.	Romania August 28, 2002	Shares - RON678,299,470	—	—	100.00%	100.00%	Business and management consultancy
Smithfield Specialty Foods Group, LLC	U.S. February 20, 2012	Note 7	—	—	100.00%	100.00%	Marketing and research of meat products
Smithfield Strategic Sourcing & Service Co., Inc.	U.S. February 15, 2005	Common shares - US$100	—	—	100.00%	100.00%	Procurement of goods
Smithfield Trading Company, Inc.	U.S. April 20, 2006	Note 7	—	—	100.00%	100.00%	Inactive
Smithfield Transportation Co., Inc.	U.S. January 31, 1990	Common shares - US$100	—	—	100.00%	100.00%	Provision of transportation services
Stefano Foods, Inc.	U.S. February 8, 1994	Common shares - US$150	—	—	100.00%	100.00%	Retail of food products
Tar Heel Turkey Hatchery, Inc.	U.S. January 4, 1972	Shares (Class A) - US$1,600	—	—	100.00%	100.00%	Poultry hatcheries
Teclinal SL	Spain March 2, 2011	Common shares - EUR3,300	—	—	100.00%	100.00%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group as at December 31, 2011	2012	2013	At the date of this report	Principal activities
Texas County Land, LLC	U.S. July 1, 2008	Note 7	—	—	100.00%	100.00%	Investment holding
The Smithfield Inn Corporation	U.S. April 5, 1995	Common shares - US$100	—	—	100.00%	100.00%	Lodging and food service
The Smithfield Packing Company, Incorporated	U.S. September 14, 1981	Common shares - US$1,000	—	—	100.00%	100.00%	Livestock slaughtering and processing, meat products production, processing and sales
Titan Global LLC	U.S. February 24, 2006	Note 7	—	—	60.00%	60.00%	Purchase and distribution of bulk farm supplies
Wilmington Bulk, LLC	U.S. February 18, 1999	Note 7	—	—	60.00%	60.00%	Grain procurement

Note 1: Directly held by the Company.

Note 2: Not yet commenced operation during the Relevant Periods.

Note 3: Deregistered due to group restructuring completed in 2012.

Note 4: Deregistered in 2012.

Note 5: All English names of the China subsidiaries are for translation purpose only.

Note 6: The Group's equity interest in certain subsidiaries are either 50% or less than 50% as these subsidiaries are held by the Group through a non wholly-owned subsidiary, Shuanghui Development which holds more than 50% in these subsidiaries.

Note 7: The par value of the common shares of these subsidiaries is zero.

Note 8: The subsidiary is a special legal form which does not have share capital in accordance with Polish Law.

Note 9: The Group's equity interest in this subsidiary is 50%. However, the Group controls the composition of the board of directors and has control over the entity and therefore classified as subsidiary of the Group.

Note 10: Deregistered in 2014.

Note 11: This subsidiary has a securitisation facility that matures in May 2016. As part of the arrangement, all trade receivables of the major pork segment subsidiaries in Smithfield 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 consolidated financial statements of the Group and therefore, the trade receivables owned by SPV are included in the consolidated statement of financial position of the Group. However, the trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield when Smithfield become insolvent. As at December 31, 2013, the SPV held US$539 million of trade receivables and had US$105 million outstanding borrowings on the securitisation facility.

The China statutory financial statements of the following subsidiaries for each of the years ended December 31, 2011, December 31, 2012 and December 31, 2013, where applicable, were prepared in accordance with relevant accounting principles and financial regulations applicable to China enterprises and were audited by the following certified public accountants registered in China.

Name of subsidiary	Financial period	China auditor
Inner Mongolia Shuanghui Food Co., Ltd. Guangdong Shineway Food Co., Ltd. Huangshi Shuanghui Commerce Investment Co., Ltd. Nanyang Shuanghui Commerce Chain Co., Ltd. Xiaogan Shuanghui Commerce Investment Co., Ltd. Yuncheng Shuanghui Commerce Sales Co., Ltd. Fuyang Shuanghui Commerce Chain Co., Ltd. Huai'an Shuanghui Commerce Chain Co., Ltd.	Year ended December 31, 2011	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
Luohe Shuanghui Meat Industry Co., Ltd. Luohe Huafeng Investment Co., Ltd. Luohe Hongyi New Material Co., Ltd. Luohe Tianrun Printing & Packaging Co., Ltd. Luohe Zhuozhi New Packaging Co., Ltd. Luohe Shuanghui Import & Export Co., Ltd. Luohe Shuanghui Logistics Transporting Co., Ltd. Jiangxi Shuanghui Logistics Co., Ltd. Wuhan Shuanghui Logistics Co., Ltd. Beijing Shuanghui Logistics Co., Ltd. Shandong Shuanghui Logistics Co., Ltd. Fuxin Shuanghui Logistics Co., Ltd. Qingyuan Shuanghui Logistics Co., Ltd. Jiangsu Huai'an Shineway Food Co., Ltd. Zhengzhou Shineway Logistics Co., Ltd. Jiangsu Shineway Logistics Co., Ltd. Heilongjiang Shineway Logistics Co., Ltd. Yexian Shineway Animal-Husbandry Co., Ltd. Inner Mongolia Shuanghui Logistics Co., Ltd.	Years ended December 31, 2011, December 31, 2012 and December 31, 2013	
Nanchang Shuanghui Food Co., Ltd. Shanghai Shuanghui Logistics Co., Ltd. Wuhu Shuanghui Food Co., Ltd. Nanning Shuanghui Food Co., Ltd. Jiyuan Shineway Animal-Husbandry Co., Ltd. Zhengzhou Shuanghui Flour Co., Ltd.		

Name of subsidiary	Financial period	China auditor
Wuhu Huixing Logistics Co., Ltd.	Year ended December 31, 2013	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
Chinachem Shuanghui Industry (Group) Co., Ltd. Shineway-IBET Bio-environmental (Luohe) Co., Ltd.	Years ended December 31, 2011 and December 31, 2012	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
Luohe Shuanghui Wanzhong Poultry Development Co., Ltd. Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd. Shanghai Shineway DCH Co., Ltd. Tangshan Shineway Food Co., Ltd. Jiyuan Shuanghui Food Co., Ltd. Shangqiu Shuanghui Commerce Chain Co., Ltd. Zhoukou Shuanghui Commerce Chain Co., Ltd. Hebi Shuanghui Commerce Chain Co., Ltd. Kaifeng Shuanghui Commerce Chain Co., Ltd. Sanmenxia Shuanghui Commerce Chain Co., Ltd. Zhumadian Shuanghui Commerce Chain Co., Ltd. Zhengzhou Shuanghui Food Co., Ltd. Shenyang Shuanghui Food Co., Ltd. Changchun Shuanghui Food Co., Ltd.	Year ended December 31, 2013	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Luohe Chinachem Shuanghui Chemical Packing Co., Ltd Luohe Shineway New Material Co., Ltd.	Year ended December 31, 2011	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Luohe Chinachem Shuanghui Packing Product Co., Ltd.	Years ended December 31, 2011 and December 31, 2012	

Name of subsidiary	Financial period	China auditor
Luohe Chinachem Shuanghui Plastic Processing Co., Ltd Luohe Shuanghui Freshening Packaging Co., Ltd Luohe Lianbang Chemical Co., Ltd. Luohe Huayi Food Co., Ltd. Luohe Huite Food Co., Ltd. Luohe Chinachem Shuanghui Offset Printing Co., Ltd Luohe Shuanghui Commerce Chain Co., Ltd. Luohe Shuanghui Commerce Investment Co., Ltd. Luohe Chinachem Shuanghui Energy Co., Ltd. Luohe Huisheng Biological Technology Co., Ltd. Luohe Tianrui Biochemicals Co., Ltd. Luohe Shuanghui Haiying Seasoning Food Co., Ltd. Fuxin Shuanghui Food Co., Ltd. Fuxin Huifu Food Co., Ltd. Fuxin Shineway Meat Processing Co., Ltd. Mianyang Shuanghui Food Co., Ltd. Shandong Dezhou Shineway Food Co., Ltd. Hubei Wuhan Shuanghui Food Co., Ltd. Hubei Shuanghui Commerce Investment Co., Ltd. Zhengzhou Shuanghui Commerce Chain Co., Ltd. Anyang Shuanghui Commerce Chain Co., Ltd. Luoyang Shuanghui Commerce Chain Co., Ltd. Harbin Shuanghui Beidahuang Food Co., Ltd. Wangkui Shuanghui Beidahuang Food Co., Ltd. Xuchang Shuanghui Commerce Chain Co., Ltd. Pingdingshan Shuanghui Commerce Chain Co., Ltd Xinyang Shuanghui Commerce Chain Co., Ltd. Baoquanling Shuanghui Beidahuang Food Co., Ltd. Yichang Shuanghui Commerce Investment Co., Ltd. Jiyuan Shuanghui Sales Chain Co., Ltd. Xinxiang Shuanghui Commerce Chain Co., Ltd. Puyang Shuanghui Commerce Chain Co., Ltd. Jiaozuo Shuanghui Commerce Chain Co., Ltd. Kunming Shuanghui Food Co., Ltd.	Years ended December 31, 2011, December 31, 2012 and December 31, 2013	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Shaanxi Shuanghui Food Co., Ltd. Luohe Huixing Animal-Husbandry Co., Ltd.	Year ended December 31, 2013	
Shuanghui Development[#]	Years ended December 31, 2011, December 31, 2012 and December 31, 2013	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)

Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in China were appointed as auditor of Shuanghui Development on March 17, 2014 to replace ShineWing Certified Public Accountant Co., Ltd.

Name of subsidiary	Financial period	China auditor
Henan Luohe Shuanghui Industry Group Co., Ltd.	Year ended December 31, 2011	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
	Year ended December 31, 2012 and December 31, 2013	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
Luohe Shuanghui Printing & Packaging Co., Ltd.	Year ended December 31, 2011	河南和致祥會計師事務所 (Henan Hezhixiang Certified Public Accountant)
	Year ended December 31, 2012	河南盛達會計師事務所有限公司 (Henan Shengda Certified Public Accountant Co., Ltd)
	Year ended December 31, 2013	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
Luohe Shineway Computer Software Co., Ltd.	Year ended December 31, 2011	河南和致祥會計師事務所 (Henan Hezhixiang Certified Public Accountant)
	Year ended December 31, 2012	河南盛達會計師事務所有限公司 (Henan Shengda Certified Public Accountant Co., Ltd)
	Year ended December 31, 2013	河南誠裕會計師事務所有限責任公司 (Henan Chengyu Certified Public Accountant Co., Ltd)
Luohe Shuanghui Logistics Investment Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
	Years ended December 31, 2012 and December 31, 2013	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)

Name of subsidiary	Financial period	China auditor
Luohe Shuanghui Bioengineering Technologies Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
	Year ended December 31, 2012	河南盛達會計師事務所有限公司 (Henan Shengda Certified Public Accountant Co., Ltd)
Luohe Shineway Animal-Husbandry Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
Henan Wandong Animal-Husbandry Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
	Years ended December 31, 2012 and December 31, 2013	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Luohe Shuanghui Lipid Industry Co., Ltd Yichang Shineway Food Co., Ltd. Zhejiang Jinhua Shineway Food Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
	Years ended December 31, 2012 and December 31, 2013	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
Wugang Chinachem Shuanghui Food Co., Ltd.	Year ended December 31, 2011	信永中和會計師事務所有限公司 (ShineWing Certified Public Accountant Co., Ltd)
	Year ended December 31, 2012	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)
	Year ended December 31, 2013	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Luohe Shuanghui Food Sales Co., Ltd	Years ended December 31, 2012 and December 31, 2013	漯河慧光會計師事務所有限責任公司 (Luohe Huiguang Certified Public Accountant Co., Ltd)
Sichuan Shineway Logistics Co., Ltd.	Years ended December 31, 2011 and December 31, 2012	四川同人會計師事務所有限責任公司 (Sichuan Tongren Certified Public Accountant Co., Ltd)
	Year ended December 31, 2013	漯河匯審會計師事務所有限公司 (Luohe Huishen Certified Public Accountant Co., Ltd)

Name of subsidiary	Financial period	China auditor
Yichang Shuanghui Logistics Co., Ltd.	Year ended December 31, 2011	宜昌天成會計師事務有限公司 (Jiyuan Yuchuan United Certified Public Accountants)
	Years ended December 31, 2012 and December 31, 2013	宜昌中信聯合會計師事務所 (Luohe Huishen Certified Public Accountant Co., Ltd)
Jiyuan Shuanghui Logistics Co., Ltd.	Year ended December 31, 2011	濟源玉川聯合會計師事務所 (Shanghai MYTS Certified Public Accountant Co., Ltd)
	Years ended December 31, 2012 and December 31, 2013	漯河匯審會計師事務所有限公司 (Shanghai MYTS Certified Public Accountant Co., Ltd)

The Company and all of its subsidiaries adopt 31 December as their financial year-end date. During the year ended December 31, 2013, the reporting period end of Smithfield was changed from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31 because the directors of the Company determined to bring the annual reporting period end date of Smithfield in line with that of the other companies comprising the Group.

We have been appointed as the auditor of the Company since its date of incorporation.

No statutory audited financial statements have been prepared for companies which were incorporated in the British Virgin Islands, Spain, Luxembourg, Canada, Mexico and U.S. where there are no statutory audit requirements. We have audited the statutory financial statements of Rotary Vortex Limited for the years ended December 31, 2011 and December 31, 2012 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). No statutory audited financial statements for the year ended December 31, 2013 has been issued for all the subsidiaries except for those described above up to date of this report.

Following the acquisition of Smithfield on September 26, 2013 (the "Acquisition"), Deloitte & Touche LLP, certified public accountants registered in the U.S. were appointed as its auditor. The statutory financial statements of Smithfield and its other subsidiaries for the period ended 31 December 2013 are not yet due to issue up to the date of this report.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods using the accounting policies which conform with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to make to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at December 31, 2011, December 31, 2012 and December 31, 2013 and of the profit and cash flows of the Group for the Relevant Periods.

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,								
		2011			2012			2013		
	Section E Notes	**Results before biological fair value adjustments**	**Biological fair value adjustments**	**Total**	**Results before biological fair value adjustments**	**Biological fair value adjustments**	**Total**	**Results before biological fair value adjustments**	**Biological fair value adjustments**	**Total**
		US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
Turnover	7	5,455	—	5,455	6,243	—	6,243	11,253	—	11,253
Cost of sales		(4,865)	(37)	(4,902)	(5,244)	(28)	(5,272)	(9,457)	(23)	(9,480)
Gross profit		590	(37)	553	999	(28)	971	1,796	(23)	1,773
Distribution and selling expenses		(198)	—	(198)	(224)	—	(224)	(539)	—	(539)
Administrative expenses		(158)	—	(158)	(188)	—	(188)	(335)	—	(335)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		—	35	35	—	21	21	—	17	17
Gain arising from changes in fair value less costs to sell of biological assets		—	7	7	—	6	6	—	47	47
Other income	8	90	—	90	73	—	73	84	—	84
Other gains and losses	9	—+	—	—+	5	—	5	19	—	19
Other expenses	10	(15)	—	(15)	(50)	—	(50)	(787)	—	(787)
Finance costs	11	(57)	—	(57)	(15)	—	(15)	(120)	—	(120)
Share of profits of associates		2	—	2	3	—	3	6	—	6
Share of losses of joint ventures		—	—	—	—	—	—	(3)	—	(3)
Profit before taxation	12	254	5	259	603	(1)	602	121	41	162
Taxation	14	(71)	—	(71)	(134)	—	(134)	(214)	(15)	(229)
Profit (loss) for the year		183	5	188	469	(1)	468	(93)	26	(67)

+ Less than US$1 million.

	Section E Notes	2011 Results before biological fair value adjustments	2011 Biological fair value adjustments	2011 Total	2012 Results before biological fair value adjustments	2012 Biological fair value adjustments	2012 Total	2013 Results before biological fair value adjustments	2013 Biological fair value adjustments	2013 Total
		US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
Other comprehensive income (expense) for the year	48									
Items that will not be reclassified subsequently to profit or loss:										
- exchange differences arising on translation to presentation currency				89			4			52
- remeasurement on defined benefit pension plans				—			—			18
				89			4			70
Items that may be reclassified subsequently to profit or loss:										
- exchange differences arising on translation of foreign operations				—			—			91
- fair value change in cash flow hedge				—			—			(5)
				—			—			86
Other comprehensive income (expense) for the year, net of tax				89			4			156
Total comprehensive income for the year				277			472			89
Profit (loss) for the year attributable to										
- owners of the Company				129			325			(263)
- non-controlling interests				59			143			196
				188			468			(67)
Total comprehensive income (expenses) for the year attributable to										
- owners of the Company				192			328			(143)
- non-controlling interests				85			144			232
				277			472			89
Earnings (loss) per share										
- Basic and diluted (US$ cents)	16			1.30			3.28			(2.62)

Year ended December 31,

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section E Notes	At December 31, 2011	2012	2013
		US$'million	*US$'million*	*US$'million*
Non-current assets				
Property, plant and equipment	17	1,387	1,411	4,132
Prepaid lease payments	18	181	191	208
Biological assets	19	5	7	204
Goodwill	20	205	205	1,835
Intangible assets	21	360	361	1,780
Interests in associates	22	33	33	415
Interests in joint ventures	23	—	—	121
Loans and other receivables	26	—	—	123
Pledged bank deposits	30	—	—	9
Deferred tax assets	35	8	19	42
Other non-current assets		—	—	120
		2,179	2,227	8,989
Current assets				
Biological assets	19	20	16	1,116
Inventories	24	529	328	1,808
Trade and bills receivables	25	38	50	870
Prepayments, deposits and other receivables	26	80	75	242
Prepaid lease payments	18	4	5	5
Taxation recoverable		—	—	37
Available-for-sale investments	28	409	114	151
Derivatives financial assets	29	—	—	6
Pledged bank deposits	30	69	8	57
Bank balances and cash	30	554	674	875
		1,703	1,270	5,167
Current liabilities				
Trade and bills payables	31	300	225	851
Accrued expenses and other payables	32	448	371	1,146
Taxation payable		16	28	44
Derivatives financial liabilities	29	—	—	21
Borrowings	34	808	164	684
Bank overdrafts	34	47	—	76
		1,619	788	2,822
Net current assets		84	482	2,345
Total assets less current liabilities		2,263	2,709	11,334
Non-current liabilities				
Borrowings	34	9	30	6,672
Other payables	32	—	—	150
Obligations under finance leases	33	—	—	25
Deferred tax liabilities	35	116	123	824
Deferred revenue	36	5	6	9
Pension liability and other retirement benefits	37	—	—	516
		130	159	8,196
Net assets		2,133	2,550	3,138
Capital and reserves				
Share capital	38	1	1	1
Reserves		1,547	1,788	2,274
Equity attributable to owners of the Company		1,548	1,789	2,275
Non-controlling interests		585	761	863
Total equity		2,133	2,550	3,138

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Other reserve**	**China statutory reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	US$'million	*US$'million*	*US$'million* (note (a))	*US$'million*	*US$'million* (note (b))	*US$'million* (note (c))	*US$'million*	*US$'million*	*US$'million*	*US$'million*
At January 1, 2011	1	581	(48)	85	—	99	645	1,363	515	1,878
Profit for the year	—	—	—	—	—	—	129	129	59	188
Exchange differences arising on translation to presentation currency	—	—	—	63	—	—	—	63	26	89
Total comprehensive income for the year	—	—	—	63	—	—	129	192	85	277
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(23)	(23)
Acquisition of a subsidiary (note 40 to section E)	—	—	—	—	—	—	—	—	1	1
Disposal of partial interests in subsidiaries	—	—	(7)	—	—	—	—	(7)	7	—
Transfers	—	—	—	—	—	18	(18)	—	—	—
	—	—	(7)	—	—	18	(18)	(7)	(15)	(22)
At December 31, 2011	1	581	(55)	148	—	117	756	1,548	585	2,133
Profit for the year	—	—	—	—	—	—	325	325	143	468
Exchange differences arising on translation to presentation currency	—	—	—	3	—	—	—	3	1	4
Total comprehensive income for the year	—	—	—	3	—	—	325	328	144	472
Dividend paid by the Company	—	—	—	—	—	—	(56)	(56)	—	(56)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(47)	(47)
Adjustment arising from group restructuring	—	—	—	—	—	—	(63)	(63)	63	—
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	—	7	7
Acquisition of additional interests in a subsidiary	—	—	—+	—	—	—	—	—+	(1)	(1)
Share-based payments	—	—	—	—	32	—	—	32	10	42
Transfers	—	—	—	—	—	35	(35)	—	—	—
	—	—	—+	—	32	35	(154)	(87)	32	(55)
At December 31, 2012	1	581	(55)	151	32	152	927	1,789	761	2,550

+ Less than US$1 million.

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Other reserve**	**China statutory reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	US$'million	*US$'million*	*US$'million (note (a))*	*US$'million*	*US$'million (note (b))*	*US$'million (note (c))*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
At December 31, 2012	1	581	(55)	151	32	152	927	1,789	761	2,550
(Loss) profit for the year	—	—	—	—	—	—	(263)	(263)	196	(67)
Exchange differences arising on translation to presentation currency	—	—	—	33	—	—	—	33	19	52
Exchange difference arising on translation of foreign operations	—	—	—	74	—	—	—	74	17	91
Remeasurement on defined benefit pension plan	—	—	—	—	18	—	—	18	—	18
Fair value change in cash flow hedge	—	—	—	—	(5)	—	—	(5)	—	(5)
Total comprehensive income (expenses) for the year	—	—	—	107	13	—	(263)	(143)	232	89
Issue of new shares	—+	—	—	—	—	—	—	—+	—	—+
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(136)	(136)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	(4)	(4)
Share-based payments	—	—	—	—	629	—	—	629	10	639
Transfers	—	—	—	—	—	18	(18)	—	—	—
	—+	—	—	—	629	18	(18)	629	(130)	499
At December 31, 2013	1	581	(55)	258	674	170	646	2,275	863	3,138

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 awards, remeasurement of the defined benefit pension plans and fair value deficit in cash flow hedge attributable to the Group of US$661 million, US$18 million and US$5 million respectively as at December 31, 2013 (see notes 39, 37 and 29 to section E respectively).

c. **China statutory reserves**

Pursuant to the relevant China regulations and the articles of association of the companies within the Group, 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 good previous year's losses or to increase the relevant company's capital. Upon approval by a resolution of shareholders' general meeting, each of the relevant companies may convert its statutory surplus reserve into capital, provided the balance of the reserve after such issue is not less than 25% of the registered capital.

\+ Less than US$1 million.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Operating activities			
Profit before taxation	259	602	162
Adjustments for:			
Interest income	(9)	(2)	(13)
Interest expenses	57	15	120
Share of profits of associates	(2)	(3)	(6)
Share of losses of joint ventures	—	—	3
Depreciation of property, plant and equipment	88	113	173
Loss on disposal/write-off of property, plant and equipment	4	1	2
Amortisation of intangible assets	—+	—+	1
Gain on maturity of available-for-sale investments	—+	(4)	(14)
Release of prepaid lease payments	3	5	5
Write-down (reversal of write-down) of inventories	9	(5)	3
Gain arising from changes in fair value less costs to sell of biological assets	(7)	(6)	(47)
Impairment loss in respect of property, plant and equipment	1	—+	1
Impairment loss recognised (reversed) on trade and other receivables	1	—+	3
Share-based payments	—	42	639
Other expenses related to group restructuring	—	4	—
Operating cash flows before movements in working capital	404	762	1,032
Decrease in biological assets	—+	8	130
(Increase) decrease in inventories	(133)	206	(146)
Decrease (increase) in trade, bills and other receivables	12	(10)	(201)
Increase (decrease) in trade, bills and other payables	126	(151)	169
Cash from operations	409	815	984
Taxation paid	(101)	(126)	(209)
Interest paid	(57)	(16)	(75)
Net cash from operating activities	251	673	700

+ Less than US$1 million.

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Investing activities			
Interest received	4	4	11
Dividends received from associates	5	4	5
Purchase of property, plant and equipment	(309)	(151)	(295)
Proceeds from disposal of property, plant and equipment	20	16	17
Prepayment for lease payments	(40)	(16)	(14)
Net cash outflow on acquisition of a subsidiary (note 40 to section E)	—[+]	—	(4,652)
Payments for intangible assets	—[+]	—[+]	(4)
Purchase of available-for-sale investments	(853)	(692)	(3,677)
Proceeds from maturity of available-for-sale investments	459	992	3,646
Withdrawal of security deposit for restructuring	510	—	—
Payments for other restructuring expenses	—	(4)	—
Placement of pledged bank deposits	(53)	(7)	(60)
Withdrawal of pledged bank deposits	130	68	8
Net cash (used in) from investing activities	(127)	214	(5,015)
Financing activities			
Dividends paid	(38)	(105)	(90)
Proceeds from borrowings, net of transaction costs	755	818	6,015
Repayment of borrowings	(727)	(1,441)	(1,492)
Transaction costs on issuance of senior notes	—	—	(18)
Capital contribution from non-controlling interests	—	7	—
Cash outflow on acquisition of additional interests in subsidiaries	—	(1)	(4)
Proceeds from issue of shares	—	—	—[+]
Net cash (used in) from financing activities	(10)	(722)	4,411
Net increase in cash and cash equivalents	114	165	96
Effect of foreign exchange rate changes	22	2	29
Cash and cash equivalents at January 1	371	507	674
Cash and cash equivalents at December 31	507	674	799
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	554	674	875
Bank overdrafts	(47)	—	(76)
	507	674	799

[+] Less than US$1 million.

E. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The functional currency of the Company is Renminbi ("RMB"), as the main operation of the Group is located in China before the acquisition of Smithfield (see note 40 to section E) while the presentation currency of the Group is United States Dollar ("US$"), as the directors of the Company consider US$, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors. Given the significance of the acquisition of Smithfield to the Group, the directors of the Company had reassessed the functional currency of the Company and decided to change the functional currency of the Company and certain subsidiaries from RMB to US$ after the Acquisition as the majority of the Group's revenue is generated in US$, which is the currency of the primary economic environment in which the Group's major operating subsidiaries and the relevant subsidiaries operate after the acquisition of Smithfield.

The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" in the Prospectus.

2. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information of the Group for the Relevant Periods, the Group has consistently adopted the accounting policies which conform with IFRSs that are effective for the financial period beginning on January 1, 2013 throughout the Relevant Periods and the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date of January 1, 2014.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after January 1, 2014

[2] Effective for annual periods beginning on or after July 1, 2014

[3] Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

[4] Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

[5] Effective for first annual IFRS financial statements beginning on or after January 1, 2016.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have an impact on the amounts reported in respect of the Group's available-for-sales investments and also the hedge accounting. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except as described above, the directors anticipated that the application of the above new and revised IFRSs will not have material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for biological assets and financial instruments which are measured at fair value less costs to sell and certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information are determined on such a basis, except for share-based payments transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payments arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payments arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payments* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs"), which are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in the reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

When the initial allocation of goodwill acquired in a business combination is not completed before the end of the annual period in which the business combination is effected, that initial allocation is to be completed before the end of the first annual period beginning after the acquisition date. When goodwill relates to a cash-generating unit but has not been allocated to that unit, the unit shall be tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates or joint ventures used for equity method accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the owners' rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised in accordance with the Group's accounting policy for operating leases (see the accounting policy below).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on the following basis:

Buildings	10 to 40 years
Plants, machinery and equipment	5 to 25 years
Motor vehicles	3 to 10 years

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Biological assets

Biological assets represent live hogs, which fall into four categories: suckling hogs, nursery hogs, finisher hogs and breeding stock are measured on initial recognition and at each end of the reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce (i.e. carcass) harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL represented financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables. The unlisted equity securities are classified as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables and other receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including borrowings, bank overdrafts, trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Hedge accounting

The Group designate certain derivatives as hedges against our exposure in relation to changes in prices and rates of commodities (cash flow hedges).

At the inception of a hedging relationship, the Group document the relationship between the hedging instrument and the hedged item, along with our its management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group document whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains or losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also continue to recognise the relevant liabilities.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognise in profit or loss.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments arrangements

The awarded shares granted are provided by one of the shareholders of the Company or by the Company. The Group receives services but has no obligation to settle the share-based payments transaction. The Group recognised the expense in compliance with IFRS 2.

For grants of shares that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares granted at the date of grant and is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (other reserve).

At the end of the reporting period, the Group revises its estimates of the number of granted shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

For grants of shares that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the foreign currencies denominated assets and liabilities of the Group are translated into the presentation currency of the Group (US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

The change of functional currency is applied prospectively from the date of change in accordance with IAS 21 The Effect of Changes in Foreign Exchange Rates. At the date of the change, all items were translated into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as historical cost.

Advertising expenses

Advertising expenses on supply of goods are recognised as and included in distribution and selling expenses in the profit or loss in the Relevant Periods in which the Group has a right to access those goods.

Advertising expenses on supply of services are recognised as and included in distribution and selling expenses in the profit or loss in the Relevant Periods in which the Group receives the services.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefits expense.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plan.

The employees of the Group in China and Hong Kong are members of state-managed retirement benefit schemes and members of the Mandatory Provident Fund Scheme ("MPF") respectively, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes and MPF are recognised as an expense when employees have rendered service entitling them to the contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Biological assets

The Group's management determines the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. This determination involved the use of significant judgement. If the actual results differ with the original estimates made by the management, such differences from the original estimates will impact the fair value change recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount of biological assets is US$25 million, US$23 million and US$1,320 million as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively (see note 19 to section E).

Goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the value in use calculation which requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill is US$205 million as at December 31, 2011 and December 31, 2012 and US$1,835 million as at December 31, 2013 (see note 20 to section E).

Intangible assets

In accounting for intangible assets, management of the Group considers the potential impairment based on the recoverable amount. The intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable; the intangible asset with an indefinite useful life are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology, and operating or cash flow losses associated with the intangible assets.

Determining whether intangible assets is impaired requires an estimation of the recoverable amount of the CGUs to which intangible assets has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the value in use calculation which requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment of intangible assets has been made during the Relevant Periods.

The carrying amount of intangible assets is US$360 million, US$361 million and US$1,780 million as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively (see note 21 to section E).

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Management of the Group periodically reviews inventories for slow moving, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventory, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories is US$529 million, US$328 million and US$1,808 million as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively (see note 24 to section E).

Trade and bill receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. In determining whether there is objective evidence of allowance for bad and doubtful debts, the Group takes into consideration the collectability, aged analysis of trade and other receivables and estimation of future cash flows. The amount of the allowance for bad and doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an allowance for bad and doubtful debts may arise. The carrying amount of trade and bills receivables is US$38 million, US$50 million and US$870 million which is after allowance for bad and doubtful debts as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively (see note 25 to section E).

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. The expected returns on plan asset assumptions are determined on a uniform methodology, considering long-term historical returns and assets allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended December 31, 2013, actuarial gains before tax effect amounting to US$18 million are recognised directly in equity in the period in which they occur (see note 37 to section E).

Share-based payments transactions

The Group measures the fair value of shares granted to the senior executives at the date at which they are granted. Estimating fair value for share-based payments transactions requires determining the most appropriate valuation methodology. The estimate of the fair value of the Company based on fair value of long-term investment in Shuanghui Development and the fair value of other operations on consolidation basis. This estimate also requires determining the most appropriate inputs to the valuation methodology including Discount for Lack of Marketability ("DLOM") of restricted shares of Shuanghui Development, minority discount, control premium, DLOM for restricted period and key performance indicator of which details are set out in note 39 to section E. The Group recognised share-based payments of US$42 million and US$639 million for the years ended December 31, 2012 and December 31, 2013 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 34 to section E, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31, 2011	2012	2013
	US$'million	*US$'million*	*US$'million*
THE GROUP			
Financial assets			
Available-for-sale investments	409	114	151
Derivatives financial assets	—	—	6
Other non-current assets	—	—	120
	409	114	277
Loans and receivables:			
Trade, bills and other receivables	58	68	1,007
Pledged bank deposits	69	8	66
Bank balances and cash	554	674	875
	681	750	1,948
Financial liabilities			
At amortised costs:			
Trade, bills and other payables	471	373	1,199
Borrowings (fixed and floating rates)	817	194	7,356
Bank overdrafts	47	—	76
	1,335	567	8,631
Derivatives financial liabilities	—	—	21
THE COMPANY			
Financial assets			
Pledged bank deposits	—	—	42
Financial liabilities			
Other payables	—	2	9
Borrowings (fixed and floating rates)	—	—	3,932
	—	2	3,941

(b) Financial risk management objective and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, available-for-sale investments, trade, bills and other receivables other non-current assets, trade, bills and other payables, borrowings and bank overdrafts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, liquidity risk and other price risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company's major financial instruments represented floating rates borrowings for the year ended December 31, 2013. The risks associated with the borrowings include market risk (interest rate risk) and liquidity risk. The Company does not have any significant financial instruments for the two years ended December 31, 2011 and December 31, 2012.

The Company's cash flow interest rate risk relates to floating rates borrowings. The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period and the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates for the year ended December 31, 2013. If interest rates had been increased/ decreased by 27 basis points and all other variables were held constant, the Company's profit would decrease/increase by approximately US$9 million.

The Company has borrowings of US$3,932 million as at December 31, 2013. The total undiscounted cash flows include both interest and principal payment amounted to US$4,525 million. The amount based on the earliest date on which the Company will be required to pay within one year amounted to US$409 million and the remaining balance of US$4,116 million will be required to pay between two to five years.

(c) **Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) ***Foreign currency risk management***

Certain group entities with RMB as the functional currency have certain foreign currency sales, purchases, bank balances and cash and borrowings denominated in US$ and the Euro ("EUR"), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Assets			
US$			
Bank balances and cash	2	8	—+
Trade, bills and other receivables	3	3	2
EUR			
Bank balances and cash	—+	1	—+
Liabilities			
US$			
Trade, bills and other payables	2	2	6
Borrowings	50	57	413
EUR			
Borrowings	1	1	4

\+ Less than US$1 million.

Sensitivity analysis

The Group is mainly exposed to the effects of US$ and the directors of the Company consider that the risk exposed to effects of EUR is not material.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ which represents management's assessment of the reasonably possible change in foreign exchange rates for the Relevant Periods. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates for the Relevant Periods. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against the relevant currency for the Relevant Periods. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Profit or loss	2	2	14

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the respective year.

(ii) ***Interest rate risk management***

The Group's fair value interest rate risk relates primarily to its available-for-sales investments and fixed-rate borrowings (see notes 28 and 34 to section E respectively for details). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates to floating rates pledged bank deposits, bank balances, loan receivables, borrowings and bank overdrafts (see notes 30, 26 and 34 to section E respectively for details). The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rates borrowings, pledged bank deposits and bank balances, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used for China operation for the Relevant Periods and a 25 basis points increase or decrease is used for operations outside China which represents management's assessment of the reasonably possible change in interest rates for the Relevant Periods.

If interest rates had increased or decreased by 27 basis points in China or 25 basis points outside China and all other variables were held constant, the Group's profit would have increased or decreased by approximately US$1.6 million and US$1.8 million respectively for the years ended December 31, 2011 and December 31, 2012 respectively and decreased or increased by approximately US$7.7 million for the year ended December 31, 2013.

(d) **Credit risk**

The Group's credit risk is primarily attributable to its trade, bills and other receivables, bank balances and pledged bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade, bills and other receivables, with exposure spread over a large number of counterparties and customers.

The credit risk on bank deposits and loan receivables is limited because the counterparties are financial institutions with good reputation in China and U.S..

(e) **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the companies comprising the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2011, December 2012 and December 2013, the Company had net current liabilities of US$1 million, US$2 million and US$196 million respectively. The directors of the Company are of the opinion that it is appropriate to prepare the financial information of the Company on a going concern basis because the subsidiaries of the Group have sufficient retained profits available for distribution for the Company to meet its financial obligations as they fall due for the foreseeable future.

The Group has available unutilised banking facilities of approximately US$57 million, US$140 million and US$1,164 million as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand and 6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
At December 31, 2011								
Trade and bills payables	—	274	26	—	—	—	300	300
Other payables	—	171	—	—	—	—	171	171
Fixed-rates borrowings	6.24	655	176	—+	7	2	840	817
Bank overdrafts	6.10	47	—	—	—	—	47	47
		1,147	202	—+	7	2	1,358	1,335
At December 31, 2012								
Trade and bills payables	—	225	—	—	—	—	225	225
Other payables	—	148	—	—	—	—	148	148
Fixed-rates borrowings	5.64	64	51	29	—+	3	147	138
Floating-rates borrowings	2.00	—+	57	—	—	—	57	56
		437	108	29	—	3	577	567
At December 31, 2013								
Trade and bills payables	—	851	—	—	—	—	851	851
Other payables	—	348	—	—+	—	—	348	348
Obligations under finance lease	—	—+	1	1	3	21	26	26
Bank overdrafts	5.60	76	—	—	—	—	76	76
Fixed-rates borrowings	5.90	299	114	12	1,190	1,884	3,499	2,887
Floating-rates borrowings	3.97	80	328	445	4,245	—	5,098	4,469
		1,654	443	458	5,438	1,905	9,898	8,657
Derivative financial liabilities	—	21	—+	—+	—+	—	21	21

(f) **Other price risk**

The Group is exposed to other price risk through its derivative instruments. No sensitivity analysis is presented as the directors of the Company consider that the exposure is insignificant.

(g) **Fair value measurement**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

\+ Less than US$1 million.

Fair value measurements recognised in the consolidated statements 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).

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Available-for-sale investments	—	409	—	409

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Available-for-sale investments	—	114	—	114

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Derivatives financial assets	—	6	—	6
Available-for-sale investments	—	151	—	151
Other non-current assets	54	66	—	120
	54	223	—	277
Derivatives financial liabilities	(15)	(6)	—	(21)

The fair values of derivative financial assets/liabilities and available-for-sale investments are determined by quoted prices in active markets (level 1) or using income approach based on discounted cashflow analysis on the expected interest rates (level 2), as appropriate.

Other non-current assets includes bonds securities which are valued at quoted market prices and are classified within Level 1 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.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, net of sales tax during the Relevant Periods, and is as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Sales of packaged meats	3,129	3,639	6,212
Sales of fresh pork	2,095	2,419	4,543
Hog production	14	13	191
Others	217	172	307
	5,455	6,243	11,253

Segment Information

The Group determines its operating segments based on the reports reviewed by the executive directors who are also the chief operation decision makers that are used to make strategic decisions. The Group's reportable segments, which are also the operating segments, are classified as (i) packaged meats, (ii) fresh pork, (iii) hog production and (iv) others and corporate which based on their location of the operations. The details of the Group's reportable segments are as follows:

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

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

(iii) Hog production — represents hog farming.

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

Each reportable segment derives its turnover 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.

Segments 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 operation decision makers for the purposes of resources allocation and assessment of segment performance.

Inter-segment sales were charged at cost plus margin basis.

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

For the year ended December 31, 2011

	Packaged meats	Fresh pork	Hog production	Others and corporate	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
China					
Segment revenue	3,129	2,515	81	371	6,096
Less: Inter-segment sales	—	(420)	(67)	(154)	(641)
Net external sales	3,129	2,095	14	217	5,455
Reportable segment profit	212	21	19	2	254
Unallocated income					57
Unallocated expenses					(2)
Biological assets fair value adjustments					5
Finance costs					(57)
Share of profits of associates					2
Profit before taxation					259

For the year ended December 31, 2012

	Packaged meats	Fresh pork	Hog production	Others and corporate	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
China					
Segment revenue	3,639	2,923	79	363	7,004
Less: Inter-segment sales	—	(504)	(66)	(191)	(761)
Net external sales	3,639	2,419	13	172	6,243
Reportable segment profit (loss)	505	63	11	(12)	567
Unallocated income					51
Unallocated expenses					(3)
Biological assets fair value adjustments					(1)
Finance costs					(15)
Share of profits of associates					3
Profit before taxation					602

All operations of the Group for the years ended December 31, 2011 and December 31, 2012 are located in China.

For the year ended December 31, 2013

	Packaged meats	Fresh pork	Hog production	Others and corporate	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
China					
Segment revenue	4,074	3,644	82	526	8,326
Less: Inter-segment sales	—	(634)	(66)	(219)	(919)
Net external sales	4,074	3,010	16	307	7,407
Reportable segment profit (loss)	678	113	7	(36)	762
U.S.					
Segment revenue	1,969	1,347	889	—	4,205
Less: Inter-segment sales	—	(60)	(717)	—	(777)
Net external sales	1,969	1,287	172	—	3,428
Reportable segment profit (loss)	79	93	(41)	(27)	104
Others					
Segment revenue	180	253	156	—	589
Less: Inter-segment sales	(11)	(7)	(153)	—	(171)
Net external sales	169	246	3	—	418
Reportable segment profit (loss)	2	(5)	25	(2)	20
Total					
Segment revenue	6,223	5,244	1,127	526	13,120
Less: Inter-segment sales	(11)	(701)	(936)	(219)	(1,867)
Net external sales	6,212	4,543	191	307	11,253
Reportable segment profit (loss)	759	201	(9)	(65)	886
Unallocated income					84
Unallocated expenses					(732)
Biological assets fair value adjustments					41
Finance costs					(120)
Share of profits of associates					6
Share of losses of joint ventures					(3)
Profit before taxation					162

No customers are individually accounted for more than 10% of the total turnover during the Relevant Periods.

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

No further analysis is presented for certain items included or excluded in the measure of segment result as such information is not regularly provided to the chief operating decision makers.

Geographical information

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

Information about the Group's non-current assets is presented above based on the geographical locations of operation.

	At December 31,		
	2011	**2012**	**2013**
	US$' million	*US$' million*	*US$' million*
Non-current assets			
- China	2,171	2,208	2,530
- U.S.	—	—	5,366
- Others	—	—	1,051
	2,171	2,208	8,947

8. OTHER INCOME

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Franchise fee	2	3	—[+]
Government subsidy directly credited to income	38	43	51
Interest income	9	2	13
Income on sales of raw materials	31	19	16
Rental income	1	—[+]	—[+]
Operating penalty income	1	—[+]	—[+]
Write-off of non-demand payables	1	—[+]	1
Others	7	6	3
	90	73	84

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Gain on maturity of available-for-sale investments	—[+]	4	14
Loss on disposal of property, plant and equipment	(1)	(1)	(2)
Net exchange gain	1	2	7
	—[+]	5	19

[+] Less than US$1 million.

10. OTHER EXPENSES

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Loss in a fire accident related to			
- property, plant and equipment	(3)	—	—
- inventories	(1)	—	—
- others	(2)	—	—
	(6)	—	—
Legal and professional fees	—	—	(132)
Share-based payments	—	(42)	(639)
Listing expenses	—	—	(6)
Donations	(1)	(2)	(5)
Others	(8)	(6)	(5)
	(15)	(50)	(787)

The above legal and professional fees were incurred in relation to the acquisition of Smithfield.

Included in share-based payments is an expense of US$597 million which represents recognition and reward for the contribution to the acquisition of Smithfield by the directors, Messrs. Wan Long and Yang Zhijun (see note 39 to section E) and an expense of US$42 million (2012: US$42 million) in connection with the 2010 Share Award Plan (see note 39 to section E).

11. FINANCE COSTS

	Year ended December 31,		
	2011	**2012**	**2013**
	US$' million	*US$' million*	*US$'million*
Amortisation of transaction costs in respect of syndicated bank loans	—	—	(7)
Interest on senior unsecured notes	—	—	(44)
Interest on bank and other borrowings			
- wholly repayable within five years	(56)	(14)	(70)
- not wholly repayable within five years	(1)	(2)	—
Less: Amounts capitalised in the cost of qualifying assets	—+	1	1
	(57)	(15)	(120)

Borrowing costs capitalised during the years ended December 31, 2011, 2012 and 2013 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.56% to 7.315%, 7.3% and 6.77% per annum respectively to expenditure on qualifying assets. Less than US$1 million, US$1 million and US$1 million of the borrowing costs was capitalised during the years ended December 31, 2011, 2012 and 2013 respectively.

12. PROFIT BEFORE TAXATION

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Profit before taxation has been arrived at after charging (crediting):			
Auditors' remuneration			
- audit services	2	2	3
- non-audit services	—	1	—
Depreciation of property, plant and equipment	88	113	173
Amortisation of intangible assets included in administrative expenses	—+	—+	1
Impairment loss recognised in respect of property, plant and equipment included in administrative expenses	1	—+	1
Release of prepaid lease payments	3	5	5
Write-down (reversal of a write-down) of inventories included in cost of sales	9	(5)	3
Impairment loss recognised (reversed) on trade and other receivables	1	—+	3
Operating lease rentals in respect of rented premises	3	3	31
Research and development costs	13	18	36
Staff costs	389	537	1,192

The cost of sales represented the cost of inventories recognised as expenses during the Relevant Periods.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Directors' fees	—+	—+	—+
Other emoluments to executive directors			
- basic salaries and allowances	—+	—+	—+
- performance bonus	—	—	—
- retirement benefit scheme contribution	—+	—+	—+
- share-based payments	—+	2	599
	—+	2	599

Messrs. Wan Long, Jiao Shuge, Cao Junsheng, Yang Zhijun, and Chou Tse Young David are the executive directors of the Company during the Relevant Periods. On December 31, 2013, Messrs. Cao Junsheng and Chou Tse Young David resigned as directors of the Company and Messrs. Guo Lijun, Pope C. Larry and Zhang Taixi were appointed as directors of the Company.

+ Less than US$1 million.

Except for Mr. Wan Long and Mr. Yang Zhijun whose director's fee and emoluments is HK$1.2 million (equivalent to US$0.2 million) and HK$1.9 million (equivalent to US$0.2 million) respectively, all other directors' fees and emoluments paid or payable by the Group are less than HK$1 million for the year ended December 31, 2011.

Except for Mr. Wan Long and Mr. Yang Zhijun whose director's fee and emoluments is HK$1.1 million (equivalent to US$0.1 million) and HK$20.6 million (equivalent to US$2 million) respectively, all other directors' fees and emoluments paid or payable by the Group are less than HK$1 million for the year ended December 31, 2012.

Except for Mr. Wan Long and Mr. Yang Zhijun whose director's fee and emoluments is HK$3,240 million (equivalent to US$418 million) and HK$1,409 million (equivalent to US$181 million) respectively, all other directors' fees and emoluments paid or payable by the Group are less than HK$1 million for the year ended December 31, 2013.

The five highest paid individuals for each of the three years ended December 31, 2011, December 31, 2012 and December 31, 2013 included two, one and two directors of the Company respectively, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals during the Relevant Periods were as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Employees			
- basic salaries and allowances	—+	1	1
- performance bonus	—	—	2
- retention bonus	—	—	—+
- retirement benefit scheme contribution	—+	—+	—+
- share-based payments	—	11	6
	—+	12	9

The emoluments of the remaining highest paid individuals were within the following bands:

	Number of employees		
	2011	**2012**	**2013**
HK$1,000,001 to HK$1,500,000	3	—	—
HK$19,500,001 to HK$20,000,000	—	3	—
HK$20,500,001 to HK$21,000,000	—	—	1
HK$25,000,001 to HK$25,500,000	—	—	1
HK$30,000,001 to HK$30,500,000	—	1	—
HK$31,000,001 to HK$31,500,000	—	—	1

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Relevant Periods.

\+ Less than US$1 million.

14. TAXATION

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
China Enterprise Income Tax			
Current year	(70)	(134)	(180)
Underprovision in prior year	(1)	—[+]	—
	(71)	(134)	(180)
U.S. Income Tax — Current year	—	—	(2)
Withholding tax	(1)	(4)	(40)
Deferred taxation	1	4	(7)
	(71)	(134)	(229)

Under the China law on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the China subsidiaries is 25% from January 1, 2008 onwards, except for the following:

(i) According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company in primary processing for agriculture products are exempted from EIT.

(ii) Pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in projects of Animal-Husbandry and poultry feeding, are entitled to exemption from EIT during the Relevant Periods.

(iii) Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, various China subsidiaries of the Company, are entitled to a preferential income tax rate of 15% during the Relevant Periods.

(iv) According to the Implementation Regulation of the EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han 2009 No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Various China subsidiaries of the Company are entitled to enjoy a preferential income tax rate at 15% during the Relevant Periods.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by China subsidiaries prior to January 1, 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement, withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liability on the undistributed profits earned by the China subsidiaries have been accrued at the tax rate of 10% for the years ended December 31, 2008 and December 31, 2009 and at the tax rate of 5% starting from January 1, 2010 onwards.

[+] Less than US$1 million.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Periods.

The taxation charge for the Relevant Periods is reconciled to the profit before taxation as follows:

	Year ended December 31,					
	2011		2012		2013	
	US$'million	*%*	*US$'million*	*%*	*US$'million*	*%*
Profit before taxation	259		602		162	
Tax at the applicable rate (note)	(65)	(25.0)	(150)	(25.0)	(41)	(25.0)
Tax effect of share of profits of associates	—+	—	1	0.2	2	1.2
Tax effect of share of losses of joint ventures	—	—	—	—	(1)	(0.6)
Tax effect of income that are not taxable in determining current year taxable profit	—	—	—	—	1	0.6
Tax effect of expenses that are not deductible in determining current year taxable profit	(5)	(1.9)	(8)	(1.3)	(181)	(111.8)
Tax effect of tax losses not recognised	(10)	(3.9)	—+	—	(3)	(1.9)
Utilisation of tax losses not previously recognised	—+	—+	1	0.2	—	—
Recognition of deferred tax arising from tax losses not previously recognised	—	—	8	1.3	—	—
Deferred tax on undistributed earnings of China subsidiaries	(7)	(2.7)	(7)	(1.2)	(21)	(13.0)
Withholding tax on undistributed earnings of China subsidiaries previously not recognised	—	—	—	—	(27)	(16.7)
Underprovision in prior year	(1)	(0.4)	—	—	—	—
Effect of tax exemptions and preferential tax rates granted to China subsidiaries	17	6.6	21	3.5	38	23.5
Effect of tax exemptions and preferential tax rates granted to U.S. subsidiaries	—	—	—	—	3	1.9
Increase in opening deferred tax liability resulting from increase in applicable tax rate	—	—	—	—	(4)	(2.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	—	—	5	3.0
Tax charge and effective tax rate for the year	(71)	(27.3)	(134)	(22.3)	(229)	(141.4)

\+ Less than US$1 million.

Note: The rate applied is applicable tax rate in China where the operation of the Group is substantially based.

Details of recognised and unprovided deferred taxation are set out in note 35 to section E.

15. DIVIDENDS

During the year ended December 31, 2012, a dividend of US$0.0057 cents per share for the amount of US$60 million was recommended by the directors of the Company and is calculated on the basis of 10,526.32 million shares in issue. The dividend recognised as distribution in the consolidated statement of changes in equity is net of elimination of US$4 million paid for shares held by Chang Yun Holdings Limited ("Chang Yun") under the Share Award Plan (see note 39 to section E). No dividend was proposed or paid during the years ended December 31, 2011 and December 31, 2013 respectively.

16. EARNINGS (LOSS) PER SHARE

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

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Earnings (loss)			
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	129	325	(263)

	Year ended December 31,		
	2011	**2012**	**2013**
	'million	*'million*	*'million*
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	9,894.74	9,894.74	10,051.75

The number of ordinary shares for basic earnings per share exclude shares held by Chang Yun and High Zenith under the Company's share incentive schemes (see note 39 to section E).

No diluted earnings per share is presented for the year ended December 31, 2011 as there was no potential dilutive share outstanding during that year.

No adjustment to the weighted average number of ordinary shares for the computation of diluted earnings per share for the year ended December 31, 2012 as the relevant effect of the shares award is insignificant.

The computation of diluted loss per share for the year ended December 31, 2013 does not assume the vesting of the shares award as the effect is anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
COST						
At January 1, 2011	—	573	555	51	72	1,251
Additions	—	10	35	12	252	309
Arising on acquisition of a subsidiary (note 40 to section E)	—	1	—+	1	—	2
Transfer from construction in progress	—	131	100	—+	(231)	—
Eliminated on disposals/ write-off	—	(5)	(25)	(3)	—	(33)
Exchange realignment	—	33	32	2	4	71
At December 31, 2011	—	743	697	63	97	1,600
Additions	—	26	42	17	66	151
Transfer from construction in progress	—	48	53	—+	(101)	—
Eliminated on disposals	—	(7)	(22)	(9)	—	(38)
Exchange realignment	—	2	2	1	—+	5
At December 31, 2012	—	812	772	72	62	1,718
Additions	—	16	132	9	160	317
Arising on acquisition of subsidiaries (note 40 to section E)	497	830	997	66	140	2,530
Transfer from construction in progress	—	104	72	—	(176)	—
Eliminated on disposals	(2)	(10)	(24)	(4)	—	(40)
Exchange realignment	2	38	34	3	3	80
At December 31, 2013	497	1,790	1,983	146	189	4,605

\+ Less than US$1 million.

	Freehold land	Buildings	Plant, machinery, equipment and leasehold improvements	Motor vehicles	Construction in progress	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
DEPRECIATION AND IMPAIRMENT						
At January 1, 2011	—	53	57	15	—	125
Provided for the year	—	24	55	9	—	88
Impairment loss recognised	—	—[+]	1	—[+]	—	1
Eliminated on disposals/ write-off	—	—[+]	(8)	(1)	—	(9)
Exchange realignment	—	4	4	—[+]	—	8
At December 31, 2011	—	81	109	23	—	213
Provided for the year	—	32	70	11	—	113
Impairment loss recognised	—	—[+]	—[+]	—[+]	—	—[+]
Eliminated on disposals	—	(2)	(13)	(6)	—	(21)
Exchange realignment	—	1	1	—[+]	—	2
At December 31, 2012	—	112	167	28	—	307
Provided for the year	—	49	107	17	—	173
Impairment loss recognised	—	—[+]	1	—[+]	—	1
Eliminated on disposals	—	(3)	(15)	(3)	—	(21)
Exchange realignment	—	5	7	1	—	13
At December 31, 2013	—	163	267	43	—	473
CARRYING VALUE						
At December 31, 2011	—	662	588	40	97	1,387
At December 31, 2012	—	700	605	44	62	1,411
At December 31, 2013	497	1,627	1,716	103	189	4,132

Certain of the Group's buildings of US$662 million; US$700 million and US$792 million as at December 31 2011, December 31, 2012 and December 31, 2013, respectively are erected on land held under medium-term land use rights in China while the rest are erected on freehold land situated in U.S..

As at December 31, 2011, December 31, 2012 and December 31, 2013, the application of obtaining the ownership certificates of buildings with an aggregate carrying value of approximately US$216 million, US$220 million and US$240 million respectively are still in process.

Included in the carrying value of property, plant and equipment as at December 31, 2013, there was an amount of US$26 million in respect of assets held under finance leases.

Property, plant and equipment with carrying amount of approximately US$1 million, less than US$1 million and US$1 million has been fully impaired and recognised in profit or loss for the years ended December 31, 2011, December 31, 2012 and December 31, 2013 respectively.

Details of the property, plant and equipment pledged by the Group to secure certain bank borrowings granted to the Group are set out in note 43 to section E.

[+] Less than US$1 million.

18. PREPAID LEASE PAYMENTS

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
COST			
At January 1	148	197	213
Additions	40	16	14
Arising on acquisition of subsidiaries	—+	—	—
Eliminated on disposals	—+	—+	—
Exchange realignment	9	—+	9
At December 31	197	213	236
AMORTISATION			
At January 1	8	12	17
Release for the year	3	5	5
Eliminated on disposals	—+	—+	—
Exchange realignment	1	—+	1
At December 31	12	17	23
CARRYING VALUE			
At December 31	185	196	213
Analysed for reporting purposes as:			
Current assets	4	5	5
Non-current assets	181	191	208
	185	196	213

The amount mainly represents the prepayment of rentals for land use rights situated in China for unexpired lease periods between 14 and 50 years.

Details of the land use rights pledged by the Group to secure certain bank borrowings granted to the Group are set out in note 43 to section E.

\+ Less than US$1 million.

19. BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

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

	At December 31,		
	2011	**2012**	**2013**
	Head	**Head**	**Head**
	('000)	*('000)*	*('000)*
Live hogs			
- suckling	29	32	1,336
- nursery	43	44	2,010
- finishing	86	83	7,057
Breeding stock	19	19	1,047
	177	178	11,450

In general, once a sow is inseminated it will gestate for a period of 114 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, at approximately fifteen pounds, they are transferred to the "nursery".

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately seven weeks where they will grow to approximately 50 pounds and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 14 to 20 weeks. During that time they will grow to 260 pounds and be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

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. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

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

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

(b) Value of the Group's biological assets

	Live hogs			Breeding stock			Total		
	At December 31,			At December 31,			At December 31,		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
Carrying value at January 1	13	20	16	4	5	7	17	25	23
Exchange realigment	1	—+	5	—+	—+	—+	1	—+	5
Add: Breeding costs	35	43	1,290	5	4	35	40	47	1,325
Arising on acquisition of subsidiaries (note 40 to section E)	—	—	1,184	—	—	196	—	—	1,380
Gain arising from changes in fair value less costs to sell of biological assets	7	5	39	—+	1	8	7	6	47
Transfer to inventories at the point of harvest	(36)	(52)	(1,362)	(2)	(2)	(32)	(38)	(54)	(1,394)
Decrease due to depreciation	—	—	—	(1)	(1)	(2)	(1)	(1)	(2)
Decrease due to culling	—+	—+	(56)	(1)	—+	(8)	(1)	—+	(64)
Carrying value at December 31	20	16	1,116	5	7	204	25	23	1,320

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs at the end of each of the reporting period. The Group's biological assets were independently valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited located at 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(c) Analysed for reporting purposes as:

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Current	20	16	1,116
Non-current	5	7	204
	25	23	1,320

\+ Less than US$1 million.

(d) Fair value measurement

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Biological assets				
- live hogs	—	—	20	20
- breeding stock	—	—	5	5
	—	—	25	25

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Biological assets				
- live hogs	—	—	16	16
- breeding stock	—	—	7	7
	—	—	23	23

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Biological assets				
- live hogs	—	—	1,116	1,116
- breeding stock	—	—	204	204
	—	—	1,320	1,320

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

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

Set forth below are the key assumptions and inputs adopted in the valuation process of biological assets:

	At December 31, 2011	At December 31, 2012	At December 31, 2013
China			
Breeding stock			
Per head market price[1] (RMB)	2,345	2,313	2,357
Suckling hogs			
Per head cost[2] (RMB)	100	66	69
Finishing hogs			
Per head market price[3] (RMB)	1,548	1,643	1,564
Per head weekly average breeding costs required to raise to finishing hogs[4] (RMB):	44	47	50
U.S.			
Breeding stock - Sow			
Per head market price[1] (US$)			225
Breeding stock -Boar			
Per head market price[1] (US$)			139
Suckling hogs			
Per head cost[2] (US$)			34
Finishing hogs			
Per head market price[3] (US$)			189
Per head weekly average breeding costs required to raise to finishing hogs[4] (US$):			5.6

Notes:

1. Market prices of breeding stock — Breeding stock is assumed to be sellable to the market as at the corresponding valuation date. The prices adopted refer to the average historical selling prices transacted to local slaughter house. As the Group never sells its breeding stock before the end of its useful life, no historical actual sales figures are available.

2. Costs of suckling hogs — As there is insignificant biological transformation that takes place between the birth of these animals until they become finishing hogs, the cost approach was adopted. As the hogs are only 4 weeks' old at most, the recent cost incurred approximates the replacement cost.

3. Market prices of finishing hogs — The adopted selling prices of finishing hogs (which is old enough to be sold to the market) are determined using their market price at the actively traded local spot and/or future market as reference. The prices used in the valuation are in line with the actual prices recorded.

4. Costs required to complete — The costs to complete used as an assumption in valuation are based on the historical average feeding cost, medication and vaccination, grower payment, production housing, production overhead, the freight-to-slaughter and selling costs that would be incurred for sales. The estimated profits that would be required by a raiser are also applied in the valuation.

20. GOODWILL

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
COST			
At January 1	195	205	205
Addition	—+	—	1,622
Exchange realignment	10	—+	8
At December 31	205	205	1,835
ACCUMULATED IMPAIRMENT LOSSES			
At January 1 and December 31	—	—	—
CARRYING VALUE			
At December 31	205	205	1,835

The goodwill recognised in year 2011 and 2013 arisen from the acquisition of subsidiaries and is described in note 40 to section E. The initial allocation of goodwill arisen from the acquisition of Smithfield is not completed before December 31, 2013 in which the business combination is effected.

Impairment testing on goodwill

Based on the Group's business units, goodwill except for goodwill arisen from acquisition from Smithfield, has been allocated for impairment testing purpose to the following CGUs in China:

- Fresh pork
- Packaged meats

The carrying amount of goodwill allocated to CGUs and unallocated is as follows:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Allocated to			
- fresh pork — China	53	53	55
- packaged meats — China	152	152	158
	205	205	213
Unallocated — U.S. and others	—	—	1,622
	205	205	1,835

\+ Less than US$1 million.

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amount of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by value in use method using cash flow projection with reference to a valuation performed by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited for the year ended December 31, 2011 and by the management for the years ended December 31, 2012 and December 31, 2013.

For the purpose of impairment testing, the Group prepares cash flow projection and the recoverable amounts of these CGUs are calculated by using pre-tax cash flow projections based on a 3-year financial budget approved by management and extrapolation of cash flows beyond the 3-year budget period.

Key assumptions used in the cash flow projection of fresh pork covering a 3-year budget period and extrapolated cash flow beyond the budget period are as follows:

	At December 31,		
	2011	**2012**	**2013**
	%	*%*	*%*
Revenue growth rate (note i)	13.20-41.01	10.94-41.01	13.49-40.93
Long-term growth rate (note ii)	2	2	2
Discount rate (note iii)	17.19	17.55	10

Key assumptions used in the cash flow projection of packaged meats covering a 3-year budget period and extrapolated cash flow beyond the budget period are as follows:

	At December 31,		
	2011	**2012**	**2013**
	%	*%*	*%*
Revenue growth rate (note i)	11.36-13.50	10.75-12.40	12.66-13.06
Long-term growth rate (note ii)	2	2	2
Discount rate (note iii)	17.19	17.55	10

Notes:

i. Management determined revenue growth rate over a 3-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the CGUs.

No impairment loss is recognised at the end of each reporting period based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount of the CGUs.

21. INTANGIBLE ASSETS

	Trademarks	Distribution network	Patents	Customers relations	Contract farm relations	Rights and permits	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
COST							
At January 1, 2011	338	5	1	—	—	—	344
Additions	—	—	—+	—	—	—	—+
Exchange realignment	17	—+	—+	—	—	—	17
At December 31, 2011	355	5	1	—	—	—	361
Additions	—	—	—+	—	—	—	—+
Exchange realignment	1	—+	—+	—	—	—	1
At December 31, 2012	356	5	1	—	—	—	362
Arising on acquisition of subsidiaries (note 40 to section E)	1,305	—	—	55	40	3	1,403
Additions	4	—	—	—	—	—	4
Exchange realignment	13	—	—	—	—	—	13
At December 31, 2013	1,678	5	1	55	40	3	1,782
AMORTISATION AND IMPAIRMENT							
At January 1, 2011	—	—	1	—	—	—	1
Amortisation	—	—	—+	—	—	—	—+
Exchange realignment	—	—	—+	—	—	—	—+
At December 31, 2011	—	—	1	—	—	—	1
Amortisation	—	—	—+	—	—	—	—+
Exchange realignment	—	—	—+	—	—	—	—+
At December 31, 2012	—	—	1	—	—	—	1
Amortisation	—	—	—+	1	—+	—+	1
Exchange realignment	—	—	—+	—	—	—	—+
At December 31, 2013	—	—	1	1	—+	—+	2
CARRYING VALUE							
At December 31, 2011	355	5	—+	—	—	—	360
At December 31, 2012	356	5	—+	—	—	—	361
At December 31, 2013	1,678	5	—+	54	40	3	1,780

Patents, customers relations, contract farm relations and rights and permits are amortised over their estimated useful lives of 10 to 20 years.

+ Less than US$1 million.

Trademarks and distribution network acquired in the business combination are identified and recognised as intangible assets with indefinite useful lives and carried at historical cost without amortisation for the following reasons:

- they are capable of being renewed indefinitely at insignificant cost;
- there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

Impairment testing on intangible assets

The directors of the Company are in the process of allocating the initial allocation of intangible assets arisen from the acquisition of Smithfield and cannot be completed before the end of the annual period. The allocation of intangible assets arisen from Smithfield shall be completed before the end of the first annual period beginning after the Acquisition date. Based on the Group's business units, trademarks and distribution network belong to Shuanghui Development have been allocated for impairment testing purpose to the following CGUs within Shuanghui Development:

- Fresh pork
- Packaged meats

The carrying amount of trademarks and distribution network was allocated to CGUs as follows:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Allocated to			
- fresh pork — China	52	52	54
- packaged meats — China	308	309	323
	360	361	377
Unallocated — U.S. and others	—	—	1,306
	360	361	1,683

An impairment review of trademarks and distribution network is undertaken annually or when events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the trademarks and distribution network have been determined by value in use method using cash flow projection.

For the purpose of impairment testing, the Group prepares cash flow projection based on a 3-year financial budget approved by management and extrapolation of cash flows beyond the 3-year budget period.

Key assumptions used in the cash flow projection of trademarks and distribution network of fresh pork covering a 3-year budget period and extrapolated cash flow beyond the budget period are as follows:

	At December 31,		
	2011	**2012**	**2013**
	%	*%*	*%*
Revenue growth rate (note i)	13.20-41.01	10.94-41.01	13.49-40.93
Long-term growth rate (note ii)	2	2	2
Discount rate (note iii)	20.19	20.55	13

Key assumptions used in the cash flow projection of trademarks and distribution network of packaged meat covering a 3-year budget period and extrapolated cash flow beyond the budget period are as follows:

	At December 31,		
	2011	**2012**	**2013**
	%	*%*	*%*
Revenue growth rate (note i)	11.36-13.50	10.75-12.40	12.66-13.06
Long-term growth rate (note ii)	2	2	2
Discount rate (note iii)	20.19	20.55	13

Key assumptions used in the cash flow projection of those intangible assets arisen from acquisition of Smithfield covering a 5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	At December 31, 2013
	%
Revenue growth rate	2.5-2.75
Long-term growth rate	2
Discount rate	10-12

Notes:

i. Management determined revenue growth rate over a 3-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the trademarks and distribution network.

The Group does not recognise any impairment loss at the end of each reporting period based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the trademarks and distribution network to exceed the aggregate recoverable amount of the assets.

22. INTERESTS IN ASSOCIATES

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Cost of investments in associates			
- Listed	—	—	347
- Unlisted	26	26	60
	26	26	407
Share of post-acquisition profits and other comprehensive income, net of dividends received	7	7	8
	33	33	415

Particulars of the associates at the end of each reporting period are as follows:

Name of associate	Place and date of establishment/ incorporation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2011	2012	2013	Principal activities
杜邦雙匯漯河蛋白有限公司 (Dupont Shineway Luohe Protein Co., Ltd)	China December 14, 2002	Registered capital — RMB52,000,000	40%	40%	40%	Manufacture and sales of protein products
南通匯羽豐新材料有限公司 (Nantong SKT New Material Co., Ltd)	China March 25, 2003	Registered capital — RMB315,186,000	43%	43%	43%	Packaging materials supplies
漯河萬源食品有限公司 (Luohe Wanyuan Food Co., Ltd.) (Note 1)	China April 1, 2003	Registered capital — RMB3,000,000	20%	—	—	Manufacture and sales of food additive
杜邦雙匯漯河食品有限公司 (Dupont Shinenay Luohe Food Co., Ltd.)	China December 20, 2004	Registered capital — RMB74,000,000	48%	48%	48%	Production of soya albumen
Campofrio Food Group, S.A. ("Campofrio") (Note 2)	Spain September 1, 1944	Ordinary shares — EUR102,220,823	—	—	37%	Manufacture and sales of meat products
Bubba Foods, LLC (Note 3)	U.S. July 2000	Note 4	—	—	20%	Processing of meat production
AgProvision, LLC (Note 3)	U.S. June 1996	Note 4	—	—	43%	Shipping of agricultural products
L&H Farms, LLC (Note 3)	U.S. April 1995	Note 4	—	—	50% Note 5	Production of nursery hogs
Rocky Mountain Lamb, LLC (Note 3)	U.S. July 2002	Note 4	—	—	50% Note 5	Production of pet food
Frigorifer S.A. (Note 3)	Romania August 1991	Note 4	—	—	50% Note 5	Cold storage facility

Notes

1. Luohe Wanyuan Food Co. Ltd ("Wanyuan") had transferred all its assets and liabilities to Luohe Shanghui Haiying Seasoning Food Co. Ltd ("Haiying"), a 60% owned subsidiary of the Group during the group restructuring and Wanyuan had deregistered in July 2012 after the transfer of assets and liabilities to Haiying in March 2012.

2. Campofrio is listed on the Bolsa de Madrid Exchange. This Company had become the associate of the Group after the acquisition of Smithfield.

3. These companies had become the associates of the Group after the acquisition of Smithfield.

4. The par value of the common shares of these associates is zero.

5. The Group's equity interest in certain associates are 50%. However, the directors of the Company considered that because the Group only has significant influence over these associates and it is therefore classified as associates of the Group.

All of the above associates are accounted for using equity method in the Financial Information.

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts prepared in accordance with IFRSs.

Campofrio Food Group, S.A.

	At December 31, 2013
	US$'million
Current assets	967
Non-current assets	2,140
Current liabilities	(1,164)
Non-current liabilities	(1,120)

	Year ended December 31, 2013
	US$'million
Revenue	683
Profit for the year	1
Other comprehensive loss for the year	(1)
Total comprehensive loss for the year	—[+]
Dividends received from the associate during the year	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial information:

	At December 31, 2013
	US$' million
Net assets of Campofrio Food Group, S.A.	823
Proportion of the Group's ownership interest in Campofrio Food Group, S.A.	37%
	305
Goodwill	42
Carrying amount of the Group's interest in Campofrio Food Group, S.A.	347

[+] Less than US$1 million.

Aggregate information of associates that are not individually material is set out below:

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
The Group's share of profit for the year from these associates	2	3	6
The Group's share of other comprehensive income	1	—	—+
The Group's share of total comprehensive income	3	3	6

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Aggregate carrying amount of the Group's interest in these associates	33	33	68

23. INTERESTS IN JOINT VENTURES

Details of the Group's investment in joint ventures are as follows:

	At December 31, 2013
	US$'million
Cost of investment in unlisted joint ventures	124
Share of post-acquisition losses and other comprehensive income	(3)
	121

Particulars of the principal joint ventures as at the end of each reporting period are as follows:

Name of joint venture	Place and date of incorporation	Issued and fully paid share capital US$'000	Attributable equity interest of the Group 2011	2012	2013	Principal activities
Granjas Carroll de Mexico S. de R.L. de C.V. (Note 1)	Mexico November 2004	Note 2	—	—	50%	Hog farming operations
Norson Holding, S. de R.L. de C.V. (Note 1)	Mexico June 1998	Note 2	—	—	50%	Manufacturing of meat products and hog farming operations
Carolina Cold Storage Limited Partnership (Note 1)	U.S. April 1991	Note 2	—	—	50%	Cold storage facility

Notes:

1. These companies had become the joint ventures of the Group after the acquisition of Smithfield.

2. The par value of the common shares of these joint ventures is zero.

\+ Less than US$1 million.

All the Group's joint ventures are not considered as individually material, the aggregate amounts of its share of these joint ventures is set out in the Financial Information.

24. INVENTORIES

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Raw materials	268	150	595
Work in progress	20	18	89
Finished goods	241	160	1,124
	529	328	1,808

25. TRADE AND BILLS RECEIVABLES

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Trade receivables	34	42	864
Less: Allowance for bad and doubtful debts	—+	—+	(3)
	34	42	861
Bills receivables	4	8	9
	38	50	870

The general credit term allowed by the Group to its customers is within 30 days in China operations and the credit terms vary depending on the sales channel and customer for the U.S. and others operations. The following is an ageing analysis of the trade and bills receivables net of allowance for bad and doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Age			
0 - 30 days	33	31	778
31 to 90 days	5	17	79
91 to 180 days	—+	2	13
Over 181 days	—+	—+	—+
	38	50	870

Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

\+ Less than US$1 million.

At December 31, 2011, December 31, 2012 and December 31, 2013, included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$5 million, US$19 million and US$92 million which mainly aged between 31 to 90 days are past due at the end of reporting period for which the Group has not provided for impairment loss considering the payment history and substantial repayment was noted subsequently to the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables as at December 31, 2011, December 31, 2012 and December 31, 2013 are 60 days, 68 days and 71 days respectively.

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

Movement in the allowance for bad and doubtful debts.

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
At January 1	—+	—+	—+
Recognised for the year	—+	—+	(3)
Reversed for the year	—+	—+	—+
At December 31,	—+	—+	(3)

At December 31, 2011, December 31, 2012 and December 31, 2013, the allowance for doubtful debts represented individually impaired trade receivables which have been placed under liquidation or in severe financial difficulties.

+ Less than US$1 million.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Loans receivables	—	—	134
Deposits paid to suppliers	41	33	78
Value-added tax receivables	18	24	78
Prepayments	—	—	36
Utility deposits	8	5	4
Amounts due from associates (note 45(b) to section E)	3	3	3
Others	11	10	32
	81	75	365
Less: Allowance for bad and doubtful debts	(1)	—+	—+
	80	75	365
Analysed for reporting purposes as:			
Current	80	75	242
Non-current	—	—	123
	80	75	365

27. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets at the end of each reporting period that were endorsed to suppliers on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the associated liabilities, being trade payables. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

	Carrying amount of bills receivables	**Carrying amount of trade payables**
	US$'million	*US$'million*
At December 31, 2011		
Bills receivables endorsed to suppliers	—	—
At December 31, 2012		
Bills receivables endorsed to suppliers	2	2
At December 31, 2013		
Bills receivables endorsed to suppliers	—	—

+ Less than US$1 million.

28. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Financial products	409	114	151

The balances represented the investments in financial products operated by banks with expected annual return ranging from 4.7% to 6.0%, 4.1% to 4.8% and 4% to 6.25% as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively.

29. DERIVATIVES FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	At December 31, 2013	
	Assets	**Liabilities**
	US$'million	*US$'million*
Fair value hedges		
- Grain contracts	—[+]	—
Cash flow hedges		
- Foreign currency forward contracts	—[+]	—
- Grain contracts	2	13
- Livestock contracts	1	1
	3	14

Fair value hedges:

The Group entered into derivative instruments (primarily forward contracts) to minimise its exposure to fair value changes of its commitments to buy grains. The directors of the Company consider that those derivative instruments are highly effective hedging instruments. Major terms of the derivative instruments are set out below:

	Notional volume			
Derivative instruments	**Minimum**	**Maximum**	**Metric**	**Maturity**
Commodities contract				
- Corn	—	6,230,000	Bushels	up to March 2014

During the year ended December 31, 2013, the hedge was highly effective in hedging the fair value exposure to the grain price movements and as a result the carrying amount of the commitments to buy grains was adjusted by less than US$1 million which was included in profit or loss at the same time that the derivative instruments were included in profit or loss.

[+] Less than US$1 million.

Cash flow hedges:

At December 31, 2013, the Group had the following foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales and purchases.

As at December 31, 2013, there were deferred net losses of US$5 million in equity, net of tax of US$3 million included in other reserve.

The Group entered into derivative instruments, such as futures, swaps and options contracts designated as highly effective hedging instruments in order to manage the Group's exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn and soybean meal. The terms of the derivative instruments have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

	Notional volume			
Derivative instruments	**Minimum**	**Maximum**	**Metric**	**Maturity**
Commodities contracts				
Corn	42,575,000	52,575,000	Bushels	up to August 2014
Soybean meal	346,500	405,350	Tons	up to December 2014
Lean hogs	81,600,000	733,160,000	Pounds	up to August 2014
Foreign currency forward contracts	23,615,262	34,543,408	Various currencies	up to September 2014

Fair value losses of US$5 million have been recognised in other comprehensive income during the year ended December 31, 2013.

Derivatives not under hedge accounting

	At December 31, 2013	
	Assets	**Liabilities**
	US$'million	*US$'million*
Interest rate swaps		
Foreign currency forward contracts	—+	—
Grain contracts	—	—+
Livestock contracts	—+	7
Energy contracts	3	—+
	3	7

\+ Less than US$1 million.

Major terms of such derivatives are as follows:

	Notional volume			
Derivative instruments	**Minimum**	**Maximum**	**Metric**	**Maturity**
Commodities contracts				
Lean hogs	1,560,000	403,840,000	Pounds	up to December 2014
Corn	25,000	1,825,000	Bushels	up to March 2015
Soybean meal	—	25,000	Tons	up to July 2014
Soybeans	—	1,820,000	Bushels	up to January 2015
Natural gas	9,680,000	12,380,000	MMBTU	up to April 2016
Diesel	1,260,000	2,016,000	Gallons	up to April 2014
Foreign currency forward contracts	8,072,402	55,143,799	Various currencies	up to February 2014

All derivative financial assets and liabilities are recorded as current asset and liabilities.

30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.36% to 3.5%, 0.35% to 3.5% and 0.05% to 4.13% per annum at December 31, 2011, December 31, 2012 and December 31, 2013 respectively. The pledged bank deposits carry fixed interest rates from 2.25% to 3.5%, 2.25% to 3.5% and 3% to 4.75% per annum at December 31, 2011, December 31, 2012 and December 31, 2013 respectively.

Pledged bank deposits represent deposits of US$66 million, US$4 million and US$62 million pledged to banks for securing banking trading facilities such as bills payables and letter of credits and bank loans granted to the Group, and of US$3 million, US$4 million and US$4 million pledged for securing loan from a third party at December 31, 2011, December 31, 2012 and December 31, 2013 respectively. The pledged bank deposits will be released upon the settlement of relevant borrowings or the release of the relevant facilities.

31. TRADE AND BILLS PAYABLES

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Trade payables	274	225	851
Bills payables	26	—	—
	300	225	851

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

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

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Age			
0 - 30 days	274	188	756
31 days to 90 days	—	28	87
91 days to 180 days	—	9	8
181 days to 1 year	26	—	—
	300	225	851

32. ACCRUED EXPENSES AND OTHER PAYABLES

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Deposits received from customers	112	97	196
Accrued staff costs	103	101	342
Payables in respect of acquisition of property, plant and equipment	98	55	78
Sales rebates payables	—	—	105
Insurance payables	—	—	109
Pension liability	—	—	26
Obligations under finance leases (note 33 to section E)	—	—	1
Deferred revenue (note 36 to section E)	—	—	5
Interest payable	—	—	65
Dividend payable	2	—+	46
Amounts due to associates (note 45(b) to section E)	17	8	8
Growers payables	—	—	35
Other tax payables	8	38	69
Balance of contingent consideration in respect of acquisition of subsidiaries	—	—	48
Other payables	108	72	163
	448	371	1,296
Analysed for reporting purposes as:			
Current	448	371	1,146
Non-current	—	—	150
	448	371	1,296

+ Less than US$1 million.

33. OBLIGATIONS UNDER FINANCE LEASES

The Group has leased certain of its buildings, machinery, vehicles and other equipment under finance leases. As at December 31, 2013, the lease term is ranged from 2 to 27 years. Interest rates underlying all obligations under finance leases are variable at respective contract dates with an average rate of 0.3% per annum for the year ended December 31, 2013. No such transaction was noted for the year ended December 31, 2011 and December 31, 2012.

	Minimum lease payments At December 31,			**Present value of minimum lease payments At December 31,**		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
Amounts payable under finance leases:						
Within one year	—	—	1	—	—	1
Between one to two years	—	—	1	—	—	1
Between two to five years	—	—	3	—	—	3
After five years	—	—	21	—	—	21
	—	—	26	—	—	26
Less: Future finance charges	—	—	—[+]			
Present value of lease obligations	—	—	26			
Less: Amounts due for settlement within one year and shown under current liabilities (included in accrued expenses and other payables in note 32 to section E)				—	—	(1)
Amounts due after one year				—	—	25

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

[+] Less than US$1 million.

34. BORROWINGS

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Senior unsecured notes			
6.625% senior unsecured notes due August 2022	—	—	1,021
7.750% senior unsecured notes due July 2017	—	—	539
5.250% senior unsecured notes due August 2018	—	—	490
5.875% senior unsecured notes due August 2021	—	—	391
	—	—	2,441
Bank loans (note i)			
Secured	44	—	4,300
Unsecured	761	191	612
Unsecured loans from associates (note 45(b) to section E) (note ii)	9	—	—
Loans from third parties (note iii)			
Secured	1	1	1
Unsecured	2	2	2
	817	194	7,356
Bank overdrafts (note iv)	47	—	76
The borrowings other than bank overdrafts are repayable as follows (note v):			
Within one year	808	164	684
Between one to two years	—[+]	27	306
Between two to five years	7	1	4,950
After five years	2	2	1,416
	817	194	7,356
Less: Amounts due within one year shown under current liabilities	(808)	(164)	(684)
Amounts due after one year	9	30	6,672
Total borrowings:			
At fixed rates	817	138	2,887
At floating rates	—	56	4,469
	817	194	7,356
Analysis of borrowings by currency:			
Denominated in US$	50	57	7,259
Denominated in RMB	766	136	6
Denominated in EUR	1	1	4
Denominated in PLN ("Polish Zloty")	—	—	87
	817	194	7,356

[+] Less than US$1 million.

Notes:

(i) Fixed rate bank loans carry interest ranging from 1.95% to 8.53%, 4.2% to 7.3% and 1.48% to 6% per annum at December 31, 2011, December 31, 2012 and December 31, 2013 respectively. The floating rate bank loans carry interest ranging from LIBOR+1.3% to 2.3% and 1.38% to WIBOR+2.5% per annum for December 31, 2012 and December 31, 2013 respectively.

(ii) Loans from associates at December 31, 2011 carry interests at 6.56% per annum and mature within one year from drawdown.

(iii) Loans from third parties carry interests at fixed rates ranging from 0.6% to 0.9% per annum at December 31, 2011, December 31, 2012 and December 31, 2013.

(iv) Bank overdrafts at December 31, 2011 and December 31, 2013 carry interest at 6.1% and 5.6% per annum respectively.

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

The Group had entered into US$4,000 million syndicated loan for the Acquisition during the year ended December 31, 2013 and it carries interest at LIBOR+3.5% to 4.5% per annum with US$75 million arrangement fee capitalised to the syndicated loan and amortized over the syndicated loan term.

Details of assets pledged to secure borrowings are set out in note 43 to section E.

The borrowings as at December 31, 2011 are secured by the Group's pledged bank deposits, property, plant and equipment and prepaid lease payments with an aggregate carrying value of US$75 million. The borrowings as at December 31, 2012 are secured by the Group's pledged bank deposits of US$8 million. The borrowings as at December 31, 2013 are secured by the Group's pledged bank deposits of US$66 million and the shares of certain subsidiaries held by the Group. As at December 31, 2013, the Group's material U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under the inventory revolver, and those obligations are secured by a first priority lien on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property, and certain equity interests.

35. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Deferred tax assets	8	19	42
Deferred tax liabilities	(116)	(123)	(824)
	(108)	(104)	(782)

The following are the major deferred tax assets/liabilities recognised by the Group, and the movements thereon during the Relevant Periods:

Tax effect of deductible temporary differences:

	Allowance for bad debts	Impairment loss and accelerated accounting depreciation of property, plant and equipment	Unrealised profit in inventories	Write-down of inventories	Fair value changes arising from biological assets	Tax losses	Unpaid staff welfare	Other deductible temporary differences	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
At January 1, 2011	—+	3	7	—+	—	—+	3	2	15
(Charged) credited to profit or loss	—+	—+	(5)	1	—	6	—	(1)	1
Exchange realignment	—+	—+	—+	—+	—	1	—+	—+	1
At December 31, 2011	—+	3	2	1	—	7	3	1	17
Credited (charged) to profit or loss	—+	—+	1	(1)	—	7	—	1	8
Exchange realignment	—+	—+	—+	—+	—	—+	—+	—+	—+
At December 31, 2012	—+	3	3	—+	—	14	3	2	25
Arising on acquisition of subsidiaries (note 40 to section E)	—	—	(11)	—	—	43	222	10	264
Credited (charged) to profit or loss	—+	1	26	—+	15	21	(23)	(7)	33
Credited (charged) to equity	—	—	—	—	—	—	(11)	2	(9)
Exchange realignment	—+	—+	—+	—+	—	1	—+	—+	1
At December 31, 2013	—+	4	18	—+	15	79	191	7	314

Tax effect of taxable temporary differences:

	Accelerated tax depreciation	Undistributed earnings of China subsidiaries	Fair value changes arising from business combination	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*
At January 1, 2011	(1)	(4)	(114)	(119)
(Charged) credited to profit or loss	—+	(1)	1	—+
Exchange realignment	—+	—+	(6)	(6)
At December 31, 2011	(1)	(5)	(119)	(125)
(Charged) credited to profit or loss	1	(7)	2	(4)
Exchange realignment	—+	—+	—+	—+
At December 31, 2012	—+	(12)	(117)	(129)
Arising on acquisition of subsidiaries (note 40 to section E)	(521)	—	(401)	(922)
(Charged) credited to profit or loss	(18)	(8)	(14)	(40)
Exchange realignment	—+	—+	(5)	(5)
At December 31, 2013	(539)	(20)	(537)	(1,096)

+ Less than US$1 million.

At December 31, 2011, December 31, 2012 and December 31, 2013, the Group had unused tax losses of US$75 million, US$65 million and US$314 million available for offset against future profits of which a deferred tax asset has been recognised in respect of US$25 million, US$56 million and US$242 million of such losses respectively. No deferred tax asset has been recognised in respect of such losses of US$50 million, US$9 million and US$72 million as at December 31, 2011, December 31, 2012 and December 31, 2013 respectively due to unpredictability of future profit stream. Except an unrecognised tax losses of US$11 million incurred during the year ended December 31, 2013 that may be carried forward indefinitely, other losses will expire from the year of 2012 to 2029.

The unrecognised tax losses will expire on or before 2029 as below:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
By end of			
— 2012	3	—	—
— 2013	1	1	—
— 2014	1	—+	5
— 2015	5	5	5
— 2016	40	3	20
— 2017	—	—+	2
— 2018	—	—	9
— after 2018	—	—	20
	50	9	61

36. DEFERRED REVENUE

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Government grant			
— current (included in accrued expenses and other payables note 32 to section E)	—	—	5
— non-current	5	6	9
	5	6	14

The deferred revenue represents government grant received in relation to construction of property, plant and equipment of the Group. As the related assets are under construction, the grant received from government is recognised as non-current liabilities and will release to profit or loss as other income over the useful lives of the related amounts after the construction is completed.

+ Less than US$1 million.

37. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS SCHEMES

Defined benefit plans

The group entities operates in U.S. operate funded defined benefit scheme for all their qualified employees. Pension benefits provided by the Group are currently organised primarily through defined benefit pension plans which cover virtually all U.S. employees and certain foreign employees of the Group. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided 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 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, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The plan in U.S. exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the interest rate of fixed income products will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Price risk	An increase in the market price of equity investments will increase the plan assets.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at September 26, 2013 by Mercer (US), Inc.. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31, 2013
Discount rate	5.25%
Expected rate of salary increase	4%
Expected return on plan assets	5.30%

The actuarial valuation showed that the market value of plan assets was US$1,123 million.

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

	Year ended December 31, 2013
	US$'million
Service cost:	
Current service cost	10
Past service cost	—
Net interest expense	7
Total	17

Remeasurement of the net defined benefit liability included in other comprehensive income are as follows.

Return on plan assets (excluding amounts included in net interest expenses)	38
Actuarial gains and losses arising from change in financial assumptions	(9)
	29
Less: taxation (note 48 to section E)	(11)
Total	18

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	At December 31, 2013
	US$'million
Present value of funded defined benefit obligations	1,653
Fair value of plan assets	(1,126)
Funded status and net liability arising from defined benefit obligation	527
Analysed as:	
Current (note 32 to section E)	26
Non-current	501
	527

Movements in the present value of the defined benefit obligations in the current year were as follows:

	Year ended December 31, 2013
	US$'million
Opening defined benefit obligation	—
Addition arising from acquisition of subsidiaries	1,652
Current service cost	10
Interest cost	21
Benefits paid	(39)
Remeasurement losses:	
Actuarial gains and losses arising from change in financial assumptions	9
Closing defined benefit obligation	1,653

Movements in the present value of the plan assets in the current year were as follows:

	Year ended December 31, 2013
	US$'million
Opening fair value of plan assets	—
Addition arising from acquisition of subsidiaries	1,081
Interest income	14
Contributions from the employer	32
Benefits paid	(39)
Remeasurement gains:	
Return on plan assets (excluding amounts included in net interest expenses)	38
Closing fair value of plan assets	1,126

The fair value of the plan assets at the end of the reporting period for each category, are as follows.

	Fair value of plan assets At December 31, 2013
	US$'million
Cash and cash equivalents	53
Equity securities:	
U.S. common stock:	
Health care	28
Financial services	33
Retail and consumer products	40
Energy	15
Information technology	43
Manufacturing and industrials	21
Telecommunications	7
International common stock	139
Mutual funds:	
International	96
Domestic small cap	34
Fixed income:	
Mutual funds	18
Asset-backed securities	16
Emerging markets securities	23
Corporate debt securities	343
Government debt securities	112
Alternative investments:	
Diversified investment funds	56
Limited partnerships	38
Insurance contracts	1
Total fair value	1,116
Unsettled transactions, net	7
Total plan assets	1,123

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of diversified investment funds, limited partnerships and insurance contracts are not based on quoted market prices in active markets. As at December 31, 2013, US$379 million, US$698 million and US$39 million planned assets are classified as Level 1, Level 2 and Level 3 respectively.

The actual return on plan assets was 12% over 5 years.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by US$111 million (increase by US$111 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. 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. Equity targets for the pension plans are as indicated in the following table. 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 following table presents the fair value of the qualified pension plan assets by major asset category as of December 31, 2013. The allocation of the pension plan assets is based on the target range presented in the following table.

Asset categories:	**As December 31, 2013**	
	US$'million	**Target range**
Cash and cash equivalents, net of unsettled transactions	63	0-4%
Equity securities	453	30-50%
Debt securities	512	33-55%
Alternative assets	95	5-20%
Total	1,123	

The Group expects to make a contribution of US$33 million to the defined benefit plan during the next financial year.

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents*—Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their NAV, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities*—When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and mutual funds not actively traded.

- *Fixed income*—The fair values of fixed income instruments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these fixed income instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 fixed income instruments include mutual funds, asset-backed securities, corporate debt securities, emerging market securities and government debt securities.

- *Alternative Investments*—The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds, domestic options contracts and futures contracts.

- *Limited partnerships*—The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilizing available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts*—The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

Defined Contribution Plans

The Group has retirement plans covering a substantial portions of its employees. The principal plans are defined contribution plans.

The Group's qualifying employees in Hong Kong participate in 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$20,000 per annum (increased to HK$25,000 per annum effective from June 1, 2012). Contributions to the scheme vest immediately.

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

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

The amount charged to profit or loss of approximately US$24 million, US$29 million and US$39 million during the years ended December 31, 2011, December 31, 2012 and December 31, 2013, respectively, represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

38. SHARE CAPITAL

	Number of shares	Amount
	'million	*US$'million*
Ordinary shares of US$0.0001 each		
Authorised:		
At January 1, 2011, December 31, 2011, December 31, 2012 and December 31, 2013	50,000	5
Issued and fully paid:		
At January 1, 2011, December 31, 2011 and December 31, 2012	10,526.32	1
Issue of new shares	1,169.59	—+
At December 31, 2013	11,695.91	1

On October 23, 2013, the Company issued 350,877,333 new ordinary share of US$0.0001 each in the Company to High Zenith Limited ("High Zenith") pursuant to the Share Award Plan II (see note 39 to section E).

Also on the same date, the Company issued 573,099,645 and 245,614,133 new ordinary shares of US$0.0001 each to companies controlled by the directors, Messrs. Wan Long and Yang Zhijun to recognise and reward their contributions to the acquisition of Smithfield (see notes 10 and 39 to section E).

39. SHARE INCENTIVE SCHEMES

The Company's share award plan (the "2010 Share Award Plan") was adopted pursuant to a resolution in writing of all directors and a resolution in writing of all shareholders of the Company both dated November 26, 2010 (collectively, the "Resolutions"). As a result of the completion of the restructuring steps as described and approved in the Resolutions on December 26, 2012, 631,580,000 shares of the Company (the "Incentive Shares"), representing 6% of issued shares of the Company were transferred from Shine D Holding Limited, one of the shareholders of the Company, to Chang Yun for the senior management of the Company and its subsidiaries and invested entities pursuant to the 2010 Share Award Plan. The Resolutions also approved the engagement of Tricor Services Limited by the Company to provide trustee services for the Share Award Plan and Teeroy Limited has been designated by Tricor Services Limited to act as trustee for the 2010 Share Award Plan (the "Trustee"). The voting rights in respect of the Incentive Shares held by Chang Yun will be exercised in accordance with the direction to be given by Heroic Zone Investments Limited ("Heroic Zone"), one of the shareholders of the Company.

If, at the date of termination of the 2010 Share Award Plan, Chang Yun holds any Incentive Shares which has not been set aside pursuant to the terms of the 2010 Share Award Plan in favour of any selected employee of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2010 Share Award Plan, all the Incentive Shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2010 Share Award Plan, shall become vested on such selected employee and any Incentive Shares which are not vested in accordance with the terms of the 2010 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2010 Share Award Plan was hereby regarded as a special purpose entity of the Company and consolidated to the Group accordingly.

The 2010 Share Award Plan was amended pursuant to a resolution in writing of all directors dated February 9, 2012 and the assessment period for vesting the Incentive Shares were set to be 2012 to 2014.

\+ Less than US$1 million.

Details of the 2010 Share Award Plan are as follows:

Number of shares	631,580,000 (subject to the lock-up period of 5 years and voting right shall be retained by Herioc Zone thereafter)
Grant date	December 26, 2012
Vesting condition	Performance target for each year from 2012 to 2014

The management estimates that all granting conditions will be achieved and all Incentive Shares will be granted ultimately. The estimated fair value of the Incentive Shares as at grant date amounted to US$128 million. It is mainly determined by market approach.

When applying the market approach, the inputs to the model are best estimation of the management:

	2012
DLOM of restricted shares of Shuanghui Development	36%
DLOM for 5 years lock-up period	40%
Control premium	20%
Minority discount	45%
Discount rate	17.6%

The Company had adopted another share award plan (the "2013 Share Award Plan") pursuant to a written resolution of all the Company's shareholders in October 2013, representing 3.0% of the issued shares of the Company at the time of issuance pursuant to the 2013 Share Award Plan held by High Zenith for the recognition and reward to the contribution of certain employees and the growth and development of the Group. The resolution also approved Trustee by the Company to provide trustee services for the 2013 Share Award Plan. The voting rights in respect of the shares held by High Zenith will be exercised in accordance with the direction to be given by Heroic Zone.

If, at the date of termination of the 2013 Share Award Plan, High Zenith holds any shares which has not been set aside pursuant to the terms of the 2013 Share Award Plan in favour of any selected employees of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2013 Share Award Plan, all the shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2013 Share Award Plan, shall become vested on such selected employee and any shares which are not vested in accordance with the terms of the 2013 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2013 Share Award Plan was hereby regarded as a special purpose entity of the Company and consolidated to the Group accordingly.

On October 23, 2013, 350,877,333 shares of US$0.0001 each were allotted to High Zenith pursuant to the 2013 Share Award Plan as set out above.

None of the shares has been granted to the management or staff of the Company under the 2013 Share Award Plan up to the date of this report.

Also on October 23, 2013, the Company issued 573,099,645 and 245,614,133 new ordinary shares of US$0.0001 each to Sure Pass Holdings Limited ("Sure Pass") and Rich Matrix Global Limited ("Rich Matrix") respectively, being companies wholly beneficially owned and controlled by the directors, Messrs. Wan Long and Yang Zhijun respectively to recognise and reward their contributions to the acquisition of Smithfield. The voting rights in respect of the shares held by Sure Pass and Rich Matrix will be exercised in accordance with the direction to be given by Heroic Zone. The estimated fair value of these share awards as at grant date amounted to US$597 million. It is mainly determined by market approach.

When applying the market approach, the inputs to the model are best estimation of the management:

	2013
DLOM of ordinary shares of the Company	10%
Control premium	10%
Discount rate	10%

The Group recognised a share-based payments expense of US$42 million and US$639 million for the years ended December 31, 2012 and December 31, 2013 respectively in relation to the 2010 Share Award Plan and share allotment to Messrs. Wan Long and Yang Zhijun.

40. ACQUISITION OF SUBSIDIARIES

(a) On July 1, 2011, the Group acquired an additional 12% equity interest in Luohe Shuanghui Commerce Chain Co., Ltd. ("Shuanghui Commerce") (a previous 40% owned associate of the Group) for a cash consideration of US$0.5 million. The transaction was accounted for using acquisition method of accounting.

The net assets acquired in the transaction, and goodwill arising, are as follows:

	Fair value
	US$'million
Property, plant and equipment	2
Prepaid lease payments	—+
Inventories	2
Trade and other receivables	2
Bank balances and cash	—+
Trade and other payables	(4)
	2

Goodwill arising on acquisition:

	US$'million
Consideration transferred	—+
Add: Non-controlling interests	1
Add: Remeasurement of previously held equity interest in Shuanghui Commerce	1
Less: Net assets acquired	(2)
Goodwill	—+

+ Less than US$1 million.

Net cash outflow arising on acquisition:

	US$'million
Consideration transferred	—[+]
Less: Cash and cash equivalents acquired	—[+]
	—[+]

Shuanghui Commerce contributed approximately US$32 million to the Group's revenue and US$0.2 million to the Group's profit for the period from the date of acquisition to December 31, 2011.

If the acquisition of additional 12% equity interest in Shuanghui Commerce has been completed on January 1, 2011, the Group's total revenue for the year would have been US$5,487 million, and its profit for the year would have been US$189 million. The information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2011, nor is it intended to be a projection of future results.

(b) On September 26, 2013, pursuant to the agreement and plan of acquisition dated May 28, 2013 with Smithfield, the Group had paid a total consideration of approximately US$4.9 billion to acquire all the shares of Smithfield for a cash consideration of US$34 per share (the "Acquisition Consideration") mainly for the share of common stock held prior to the effective time of the Acquisition and all outstanding stock-based compensation awards, both vested and unvested, were converted into the right to receive the Acquisition Consideration, less the exercise price of such awards. Upon completion of the Acquisition, Smithfield had merged with Sun Merger Sub, Inc., ("Sun Merger") a company incorporated in Virginia, United States of America and is a wholly-owned subsidiary of the Group.

Sun Merger had issued US$500 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and US$400 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (collectively referred as the "Acquisition Senior Notes") in connection with the Acquisition on July 31, 2013. Approximately US$18 million transaction fees in connection with the issuance of the Acquisition Senior Notes are being amortised over the terms of the Acquisition Senior Notes. The net proceeds of the Acquisition Senior Notes were used to fund a portion of the total consideration paid, repay portion of other outstanding liabilities of Smithfield and pay certain of other transaction fees associated with the Acquisition.

The assets acquired and liabilities assumed by the Group in the Acquisition reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalised. The Acquisition has been accounted for using acquisition method. Acquisition related cost of US$729 million has been recognised as an expense during the year ended December 31, 2013, within the 'Other expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

\+ Less than US$1 million.

The following is a summary of the preliminarily estimated fair values of the assets acquired and liabilities assumed:

	Fair value
	US$'million
Property, plant and equipment	2,530
Biological assets - non current	196
Intangible assets	1,403
Interest in associates	371
Interests in joint ventures	124
Biological assets - current	1,184
Inventories	1,322
Trade receivables	765
Prepayments and other receivables	211
Other non-current assets	144
Bank balances and cash	251
Trade payables	(535)
Accrued expenses and other payables	(547)
Borrowings and obligations under finance leases	(2,748)
Other long-term payables	(161)
Deferred tax liabilities	(658)
Pension liability	(571)
	3,281

Goodwill arising on acquisition:

	US$'million
Consideration transferred	4,903
Less: Net assets acquired	(3,281)
	1,622

Net cash outflow arising on acquisition:

	US$'million
Consideration transferred	(4,903)
Add: Bank balances and cash	251
	(4,652)

Smithfield contributed approximately US$3,894 million to the Group's revenue and US$58 million of profit to the Group's loss for the year from the date of acquisition to December 31, 2013.

If the acquisition has been completed on January 1, 2013, the Group's total revenue for the year would have been US$21,184 million and its loss for the year would have been US$34 million. The information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

Goodwill arose in the acquisition of Smithfield because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Smithfield. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

41. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Within one year	1	1	43
In the second to fifth year inclusive	2	1	87
After five years	2	2	33
	5	4	163

Operating leases payments represent rentals payable by the Group for certain of its warehouse and premises. Lease are negotiated for a lease term between 4 to 50 years. The Group does not have an option to purchase the leased assets upon the expiry of the lease period.

The Company has no significant operating lease commitments at the end of each reporting period.

42. CAPITAL COMMITMENTS

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	—	—	127
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	422	192	266

The Company has no significant capital commitments at the end of each reporting period.

43. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying amount of the assets of the Group pledged to banks for securing banking and trading facilities and loan from a third party granted to the Group is analysed as follows:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Property, plant and equipment	4	—	—
Prepaid lease payments	2	—	—
Pledged bank deposits	69	8	66
	75	8	66

The Company has no pledged assets at the end of each reporting period.

44. CONTINGENT LIABILITIES

Smithfield are subject to various laws and regulations administered by the US federal, state and other government entities, including the United States Environmental Protection Agency and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries like other participants in the industry.

Smithfield had notices and inquiries from regulatory authorities and others asserting from time to time receive that Smithfield is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against Smithfield.

North Carolina Nuisance Litigation

25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and its wholly-owned subsidiary, Murphy-Brown. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim, and for a More Definite Statement in all 25 cases.

All 25 complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but not initiated any formal legal process. The Group believes that the claims are unfounded and intends to defend the suits vigorously.

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in note 3 to section E. The Group established a provision estimating the expenses to defend against these and similar potential claims on the consolidated statement of financial position at the date of Acquisition. Consequently, expenses and other liabilities associated with these claims for subsequent periods will not affect the profits or losses unless the reserve proves to be insufficient or

excessive. However, legal expenses incurred in Smithfield and Smithfield's subsidiaries' defense of these claims and any payments made to plaintiffs through unfavourable verdicts or otherwise will negatively impact the cash flows and the liquidity position. Given that the matter is in its very preliminary stages and given the inherent uncertainty of the outcome for these and similar potential claims, the management of the Group cannot estimate the reasonably possible loss or range of loss for these loss contingencies in addition to the expenses that will incur to defend against these claims. The management of the Group will continue to review whether an additional accrual is necessary and whether Smithfield have the ability to estimate the reasonably possible loss or range of loss for these matters.

The Company has no significant contingent liabilities at the end of each of the reporting period.

45. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with associates, of which the pricing of the transactions were mutually agreed between the Group and the associates during the Relevant Periods:

	Year ended December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Sales of goods to associates	8	6	11
Purchase of goods from associates	71	58	47

(b) Balances with associates at the end of the reporting period:

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Included in:			
Trade and bills receivables*	—	—	3
Prepayments, deposits and other receivables*	3	3	3
Accrued expenses and other payables*	17	8	8
Borrowings (note 34 to section E)	9	—	—

* The amounts due from/to associates are unsecured, interest-free and are repayable on demand.

(c) Compensation of key management personnel

The remuneration of these key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

The details of remuneration of key management personnel, representing emoluments of directors of the Company paid/payable during the Relevant Periods, are set out in note 13 to section E.

46. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	At December 31,		
	2011	**2012**	**2013**
	US$'million	*US$'million*	*US$'million*
Non-current assets			
Interests in a subsidiary (Note)	666	668	4,457
Current assets			
Pledged bank deposits	—	—	42
Current liabilities			
Other payables	1	2	9
Borrowings	—	—	229
	1	2	238
Net current liabilities	(1)	(2)	(196)
Total assets less current liabilities	665	666	4,261
Non-current liabilities			
Borrowings	—	—	3,703
Net assets	665	666	558
Capital and reserves			
Share capital (note 38)	1	1	1
Share premium	581	581	581
Translation reserve	60	61	61
Retained profits (deficit)	23	23	(85)
Total equity	665	666	558

Note: The balance represents investment in unlisted shares of a subsidiary at cost.

47 DETAILS OF NON WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests at the end of each reporting period:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
		At December 31,			At December 31,			At December 31,		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
					US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*	*US$'million*
Shuanghui Development	China	48.55%	26.74%	26.74%	56	143	202	555	735	742
Individually immaterial subsidiaries with non-controlling interests					3	—+	(6)	30	26	121
					59	143	196	585	761	863

Summarised financial information in respect of Shuanghui Development that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Current assets	1,118	1,153	1,480
Non-current assets	1,514	1,503	1,782
Current liabilities	(1,005)	(618)	(773)
Non-current liabilities	(19)	(40)	(10)
Equity attributable to owners of Shuanghui Development	1,446	1,868	2,370
Non-controlling interests of Shuanghui Development's subsidiaries	162	130	109
Non-controlling interests of Shuanghui Development	393	605	633
	555	735	742

+ Less than US$1 million.

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Revenue	5,545	6,309	7,308
Total expenses	(5,318)	(5,821)	(6,647)
Profit for the year and total comprehensive income for the year	227	488	661
Profit for the year and total comprehensive income for the year attributable to			
- owners of the Company	171	345	459
- non-controlling interests of Shuanghui Development's subsidiaries	20	30	34
- non-controlling interests of Shuanghui Development	36	113	168
	227	488	661
Dividends paid to non-controlling interest	1	18	59
Net cash inflow from operating activities	363	724	629
Net cash outflow from investing activities	(448)	(237)	(323)
Net cash inflow (outflow) from financing activities	16	(219)	(352)
Net cash (outflow) inflow	(69)	268	(46)

48. OTHER COMPREHENSIVE INCOME (EXPENSE)

	Year ended December 31,		
	2011	2012	2013
	US$'million	*US$'million*	*US$'million*
Other comprehensive income includes:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency	89	4	52
Remeasurement on defined benefit pension plans	—	—	29
Less: Income tax relating to defined benefit pension plans	—	—	(11)
	89	4	70
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	—	—	91
Fair value change in cash flow hedge	—	—	(7)
Less: Income tax relating to cash flow hedge	—	—	2
	—	—	86
Other comprehensive income, net of income tax	89	4	156

G. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Heroic Zone and Rise Grand Group Limited respectively, both companies are incorporated in the British Virgin Islands.

H. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the directors of the Company during the Relevant Periods.

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ending December 31, 2014, excluding discretionary bonus and the share-based payment regarding the conditionally granted pre-IPO share option, is approximately US$23.8 million.

I. SUBSEQUENT EVENTS

Pursuant to a written resolution passed by the shareholders of the Company on April 4, 2014, the pre-IPO share option scheme was adopted. As at the date of this report, options to subscribe for an aggregate of 584,795,555 ordinary shares have been conditionally granted by the Company to the eligible participants of the scheme, including directors, full-time employees of the Company or its subsidiaries ("eligible participants").

Details of the share option scheme are set out in section headed "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

J. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group subsequent to December 31, 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(A) PUBLISHED FINANCIAL INFORMATION OF SMITHFIELD FOODS, INC. FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED MAY 1, 2011, APRIL 29, 2012 AND APRIL 28, 2013 AND FOR THE PERIOD FROM APRIL 29, 2013 TO SEPTEBMER 26, 2013, FOR THE PERIOD FROM SEPTEMBER 27, 2013 TO DECEMBER 29, 2013 AND FOR EACH OF THE QUARTERLY PERIODS ENDED JULY 28, 2013 AND OCTOBER 27, 2013

Table of content for the consolidated financial statements of Smithfield for the respective periods:

1. Audited consolidated financial statements of Smithfield Foods, Inc. and its subsidiaries as of December 29, 2013 and for the period from April 29, 2013 to September 26, 2013 and for the period from September 27, 2013 to December 29, 2013 . . . . IB-2

2. Audited consolidated financial statements of Smithfield Foods, Inc. and its subsidiaries for the year in the period ended April 28, 2013 . . . . IB-71

3. Audited consolidated financial statements of Smithfield Foods, Inc. and its subsidiaries for the year in the period ended April 29, 2012 . . . . IB-125

4. Audited consolidated financial statements of Smithfield Foods, Inc. and its subsidiaries for the year in the period ended May 1, 2011 . . . . IB-179

5. Consolidated condensed financial statements of Smithfield Foods, Inc. and its subsidiaries for the quarterly period ended July 28, 2013 . . . . IB-235

6. Consolidated condensed financial statements of Smithfield Foods, Inc. and its subsidiaries for the quarterly period ended 27 October 2013 . . . . IB-256

(1) The following is an extract of the audited consolidated financial statements of Smithfield as of December 29, 2013 and for the period from April 29, 2013 to September 26, 2013 and for the period from September 27, 2013 to December 29, 2013, and for each of the three years in the period ended April 28, 2013 which were prepared in accordance with U.S. GAAP, from the Form10-K of Smithfield as filed with the SEC on March 20, 2014. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

REPORT OF DELOITTE & TOUCHE LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholder of Smithfield Foods, Inc.
Smithfield, Virginia

We have audited the accompanying consolidated balance sheet of Smithfield Foods Inc. and subsidiaries (the "Company") as of December 29, 2013 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the periods from September 27, 2013 to December 29, 2013 (Successor) and from April 29, 2013 to September 26, 2013 (Predecessor). Our audit also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Smithfield Foods Inc. and subsidiaries as of December 29, 2013, and the results of their operations and their cash flows for the periods from September 27, 2013 to December 29, 2013 (Successor) and from April 29, 2013 to September 26, 2013 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the financial statements, on September 26, 2013, WH Group Limited (WH Group), formerly Shuanghui International Holdings Limited, acquired all of the outstanding shares of the Company and WH Group's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company Additionally, as discussed in Note 1 to the financial statements, on January 16, 2014, the Company changed its fiscal year end from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31. The change became effective at the end of the period ended December 29, 2013.

/s/ DELOITTE & TOUCHE LLP

Richmond, VA
March 20, 2014

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholder of Smithfield Foods, Inc.
Smithfield, Virginia

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of April 28, 2013 and April 29, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended April 28, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smithfield Foods, Inc. and subsidiaries at April 28, 2013 and April 29, 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Richmond, Virginia
June 18, 2013, except for Note 4, as to which the date is March 20, 2014

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions)

	Successor	Predecessor			
	September 27 - December 29, 2013	April 29 - September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Sales	$ 3,894.2	$ 5,679.5	$13,221.1	$13,094.3	$12,202.7
Cost of sales	3,543.1	5,190.1	11,901.4	11,544.9	10,488.6
Gross profit	351.1	489.4	1,319.7	1,549.4	1,714.1
Selling, general and administrative expenses	213.4	341.7	815.4	816.9	789.8
Gain on fire insurance recovery	—	—	—	—	(120.6)
Merger related costs	23.9	18.0	—	—	—
Loss (income) from equity method investments	2.6	0.5	(15.0)	9.9	(50.1)
Operating profit	111.2	129.2	519.3	722.6	1,095.0
Interest expense	59.0	64.6	168.7	176.7	245.4
Loss on debt extinguishment	1.7	—	120.7	12.2	92.5
Income before income taxes	50.5	64.6	229.9	533.7	757.1
Income tax expense	15.8	12.7	46.1	172.4	236.1
Net income	$ 34.7	$ 51.9	$ 183.8	$ 361.3	$ 521.0

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Successor	Predecessor			
	September 27 - December 29, 2013	April 29 - September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Net income	$ 34.7	$ 51.9	$ 183.8	$ 361.3	$ 521.0
Other comprehensive income (loss):					
Foreign currency translation:					
Translation adjustment	29.6	23.3	(12.5)	(185.7)	120.2
Tax (expense) benefit	(2.3)	(6.4)	1.4	25.9	2.9
Pension accounting:					
Net actuarial gains (losses)	23.7	—	(93.9)	(326.1)	60.8
Reclassification of losses into net income	—	24.8	52.8	23.5	38.9
Tax benefit (expense)	(9.1)	(9.7)	15.9	117.6	(37.1)
Hedge accounting:					
Net derivative (losses) gains	(2.3)	(26.6)	53.3	105.6	144.9
Reclassification of net gains into net income	(2.4)	(29.2)	(165.4)	(100.9)	(26.6)
Tax benefit (expense)	1.8	21.8	43.1	(1.6)	(45.7)
Total other comprehensive income (loss)	39.0	(2.0)	(105.3)	(341.7)	258.3
Total comprehensive income	$ 73.7	$ 49.9	$ 78.5	$ 19.6	$ 779.3

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	$ 193.4	$ 310.6	$ 324.3
Accounts receivable, net	810.9	663.2	624.7
Inventories	2,274.7	2,348.3	2,072.4
Prepaid expenses and other current assets	225.1	229.7	277.6
Total current assets	3,504.1	3,551.8	3,299.0
Property, plant and equipment, net	2,745.9	2,298.4	2,277.2
Goodwill	1,622.5	782.4	768.2
Investments	496.5	532.4	522.6
Intangible assets, net	1,405.8	390.4	381.8
Other assets	180.0	161.0	173.4
Total assets	$ 9,954.8	$ 7,716.4	$ 7,422.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt and capital lease obligations	48.5	676.1	63.5
Accounts payable	614.4	429.1	415.8
Accrued expenses and other current liabilities	632.7	641.0	657.0
Total current liabilities	1,295.6	1,746.2	1,136.3
Long-term debt and capital lease obligations	2,997.4	1,829.2	1,900.9
Net long-term pension liability	504.4	697.0	581.9
Deferred income taxes, net	745.9	205.8	290.8
Other liabilities	131.1	127.8	122.3
Redeemable noncontrolling interests	48.6	12.7	2.0

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
Commitments and contingencies			
Equity:			
Shareholders' equity:			
Preferred stock, $1.00 par value, 1,000,000 authorized shares (Predecessor)	—	—	—
Common stock, no par value, 1,000 authorized shares; 1,000 issued and outstanding (Successor)	—	—	—
Common stock, $.50 par value, 500,000,000 authorized shares;138,919,056 and 157,408,077 issued and outstanding (Predecessor)	—	69.5	78.7
Additional paid-in capital	4,157.4	1,389.9	1,561.0
Stock held in trust	—	(68.8)	(67.9)
Retained earnings	34.7	2,322.6	2,326.4
Accumulated other comprehensive income (loss)	39.0	(616.2)	(510.9)
Total shareholders' equity	4,231.1	3,097.0	3,387.3
Noncontrolling interests	0.7	0.7	0.7
Total equity	4,231.8	3,097.7	3,388.0
Total liabilities and shareholders' equity	$ 9,954.8	$ 7,716.4	$ 7,422.2

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor	Predecessor			
	September 27 - December 29, 2013	April 29 - September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Cash flows from operating activities:					
Net income	$ 34.7	$ 51.9	$ 183.8	$ 361.3	$ 521.0
Adjustments to reconcile net cash flows from operating activities:					
(Income) loss from equity method investments	2.6	0.5	(15.0)	9.9	(50.1)
Depreciation and amortization	55.4	106.5	239.9	242.8	231.9
Gain on fire insurance recovery	—	—	—	—	(120.6)
Impact of inventory fair value step-up on cost of sales	45.4	—	—	—	—
Deferred income taxes	14.5	(3.7)	(5.3)	90.2	158.2
Impairment of assets	0.5	2.0	4.2	2.9	9.2
Pension expense	11.9	44.8	96.1	57.2	82.0
Pension contributions	(9.1)	(9.7)	(17.7)	(142.8)	(128.5)
Changes in operating assets and liabilities and other, net:					
Accounts receivable	(37.8)	(86.0)	(39.9)	47.8	(63.8)
Inventories	199.8	(108.7)	(273.9)	(89.8)	(178.4)
Prepaid expenses and other current assets	(66.7)	72.8	52.0	(68.1)	132.2
Accounts payable	107.0	64.2	14.7	2.5	36.6
Accrued expenses and other current liabilities	151.7	(150.3)	(15.9)	12.6	(72.6)
Other	(50.6)	(10.1)	(50.3)	43.6	59.3
Net cash flows from operating activities	459.3	(25.8)	172.7	570.1	616.4
Cash flows from investing activities:					
Acquisition of Smithfield Foods, Inc.	(4,896.6)	—	—	—	—
Capital expenditures	(69.9)	(139.8)	(278.0)	(290.7)	(176.8)
Business acquisition, net of cash acquired	—	(32.8)	(24.0)	—	—
Dispositions	—	—	—	—	261.5
Insurance proceeds	—	—	—	—	120.6
Net (expenditures) proceeds from breeding stock transactions	5.1	(5.3)	(18.4)	(2.3)	26.2
Proceeds from sale of property, plant and equipment	2.3	1.7	16.9	6.4	22.8

	Successor	Predecessor			
	September 27 - December 29, 2013	April 29 - September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Advance note and other	—	(10.0)	(0.2)	—	—
Net cash flows from investing activities	(4,959.1)	(186.2)	(303.7)	(286.6)	254.3
Cash flows from financing activities:					
Net proceeds from equity contributions	4,162.1	—	—	—	—
Proceeds from the issuance of long-term debt	900.3	—	1,219.2	—	—
Principal payments on long-term debt and capital lease obligations	(218.7)	(458.7)	(716.5)	(152.7)	(944.5)
Proceeds from Securitization Facility	240.0	170.0	—	—	—
Payments on Securitization Facility	(255.0)	(50.0)	—	—	—
Net borrowings (repayments) on revolving credit facilities and notespayables	(367.9)	490.3	13.9	(0.3)	21.6
Repurchase of common stock	—	—	(386.4)	(189.5)	—
Change in cash collateral	—	—	—	23.9	(23.9)
Debt issuance costs and other	(20.4)	0.1	(14.5)	(9.8)	1.2
Net cash flows from financing activities	4,440.4	151.7	115.7	(328.4)	(945.6)
Effect of foreign exchange rate changes on cash	2.3	0.2	1.6	(5.5)	(1.6)
Net change in cash and cash equivalents	(57.1)	(60.1)	(13.7)	(50.4)	(76.5)
Cash and cash equivalents at beginning of period	250.5	310.6	324.3	374.7	451.2
Cash and cash equivalents at end of period	$ 193.4	$ 250.5	$ 310.6	$ 324.3	$ 374.7

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock (Shares)	Common Stock (Amount)	Additional Paid-in Capital	Stock Held in Trust	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Predecessor									
Balance, May 2, 2010	166.0	$ 83.0	$ 1,626.9	$ (65.5)	$ 1,538.7	$ (427.5)	$ 2,755.6	$ 2.6	$ 2,758.2
Issuance of common stock	0.1	—	1.2	—	—	—	1.2	—	1.2
Stock compensation expense	—	—	11.3	—	—	—	11.3	—	11.3
Purchase of stock for trust	—	—	—	(1.2)	—	—	(1.2)	—	(1.2)
Other	—	—	(0.7)	—	—	—	(0.7)	0.4	(0.3)
Comprehensive income:									
Net income (loss)	—	—	—	—	521.0	—	521.0	(1.9)	519.1
Other comprehensive income, net of tax	—	—	—	—	—	258.3	258.3	—	258.3
Balance, May 1, 2011	166.1	83.0	1,638.7	(66.7)	2,059.7	(169.2)	3,545.5	1.1	3,546.6
Common stock repurchased	(9.2)	(4.6)	(90.3)	—	(94.6)	—	(189.5)	—	(189.5)
Issuance of common stock	0.5	0.3	(5.0)	—	—	—	(4.7)	—	(4.7)
Stock compensation expense	—	—	14.4	—	—	—	14.4	—	14.4
Purchase of stock for trust	—	—	—	(1.6)	—	—	(1.6)	—	(1.6)
Other	—	—	3.2	0.4	—	—	3.6	0.4	4.0
Comprehensive income:									
Net income (loss)	—	—	—	—	361.3	—	361.3	(0.8)	360.5
Other comprehensiveloss, net of tax	—	—	—	—	—	(341.7)	(341.7)	—	(341.7)
Balance, April 29, 2012	157.4	78.7	1,561.0	(67.9)	2,326.4	(510.9)	3,387.3	0.7	3,388.0
Common stock repurchased	(19.1)	(9.5)	(189.3)	—	(187.6)	—	(386.4)	—	(386.4)
Issuance of common stock	0.6	0.3	(1.1)	—	—	—	(0.8)	—	(0.8)
Stock compensation expense	—	—	19.1	—	—	—	19.1	—	19.1
Purchase of stock for trust	—	—	—	(1.8)	—	—	(1.8)	—	(1.8)
Other	—	—	0.2	0.9	—	—	1.1	(0.4)	0.7
Comprehensive income:									
Net income	—	—	—	—	183.8	—	183.8	0.4	184.2
Other comprehensiveloss, net of tax	—	—	—	—	—	(105.3)	(105.3)	—	(105.3)
Balance, April 28, 2013	138.9	$ 69.5	$ 1,389.9	$ (68.8)	$ 2,322.6	$ (616.2)	$ 3,097.0	$ 0.7	$ 3,097.7

See Notes to Consolidated Financial Statements

	Common Stock (Shares)	Common Stock (Amount)	Additional Paid-in Capital	Stock Held in Trust	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, April 28, 2013	138.9	69.5	1,389.9	(68.8)	2,322.6	(616.2)	3,097.0	0.7	3,097.7
Issuance of common stock	0.4	0.1	(2.4)	—	—	—	(2.3)	—	(2.3)
Stock compensation expense	—	—	26.4	—	—	—	26.4	—	26.4
Purchase of stock for trust	—	—	—	(0.7)	—	—	(0.7)	—	(0.7)
Other	—	—	—	—	—	—	—	(0.3)	(0.3)
Comprehensive income:									
Net income	—	—	—	—	51.9	—	51.9	0.2	52.1
Other comprehensiveloss, net of tax	—	—	—	—	—	(2.0)	(2.0)	—	(2.0)
Balance, September 26, 2013	139.3	$ 69.6	$ 1,413.9	$ (69.5)	$ 2,374.5	$ (618.2)	$ 3,170.3	$ 0.6	$ 3,170.9
Successor									
Balance, September 27, 2013	—$	—	$ 4,162.1	$ —	$ —	$ —	$ 4,162.1	$ 0.6	$ 4,162.7
Adjustment to redeemable noncontrolling interests	—	—	(2.2)	—	—	—	(2.2)	—	(2.2)
Other	—	—	(2.5)	—	—	—	(2.5)	—	(2.5)
Comprehensive income:									
Net income	—	—	—	—	34.7	—	34.7	0.1	34.8
Other comprehensive income, net of tax	—	—	—	—	—	39.0	39.0	—	39.0
Balance, December 29, 2013	—	$ —	$ 4,157.4	$ —	$ 34.7	$ 39.0	$ 4,231.1	$ 0.7	$ 4,231.8

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Smithfield Foods, Inc., together with its subsidiaries ("Smithfield," "the Company," "we," "us" or "our"), is the largest hog producer and pork processor in the world. We produce and market a wide variety of fresh meat and packaged meats products both domestically and internationally. We conduct our operations through four reportable segments: Pork, Hog Production, International and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

On September 26, 2013 (the Merger Date), pursuant to the Agreement and Plan of Merger dated May 28, 2013 (the Merger Agreement) with WH Group Limited, formerly Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands hereinafter referred to as WH Group, the Company merged with Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of WH Group (Merger Sub), in a transaction hereinafter referred to as the Merger. As a result of the Merger, the Company survived as a wholly owned subsidiary of WH Group. See Note 2—Merger and Acquisitions for further information on the Merger.

Basis of Presentation

The Merger was accounted for as a business combination using the acquisition method of accounting. WH Groups's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. Accordingly, the consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting.

Successor—The consolidated financial statements as of December 29, 2013, and for the period September 27 - December 29, 2013, include the accounts of the Company subsequent to the closing of the Merger on September 26, 2013.

Predecessor—The consolidated financial statements of the Company prior to the Merger on September 26, 2013.

For the purposes of this report, the periods April 29 - September 26, 2013 and September 27 - December 29, 2013 are hereafter referred to as the Predecessor Period and the Successor Period, respectively. Unless otherwise stated, amounts presented in these notes to our consolidated financial statements are for all fiscal periods presented, including the Predecessor Period and the Successor Period. Certain prior year amounts have been reclassified to conform to current year presentation.

Change in Fiscal Year End

On January 16, 2014, the Company elected to change its fiscal year end from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31. The change became effective at the end of the period ended December 29, 2013. Unless otherwise noted, all references to "fiscal" in this report refer to the twelve-month fiscal year, which as of and prior to April 29, 2013 ended on the Sunday nearest to April 30, and beginning after December 29, 2013 ends on the Sunday nearest December 31 of each year. This Form 10-K covers the transition period of April 29, 2013 through December 29, 2013 (the Transition Period).

For comparative purposes, the Consolidated Statements of Income for the eight months ended December 29, 2013 and December 30, 2012 are presented as follows:

	Successor	Predecessor	
			(unaudited)
	September 27 - December 29, 2013	April 29 - September 26, 2013	Eight Months Ended December 30, 2012
		(in millions)	
Sales	$ 3,894.2	$ 5,679.5	$ 8,898.7
Cost of sales	3,543.1	5,190.1	7,943.5
Gross profit	351.1	489.4	955.2
Selling, general and administrative expenses	213.4	341.7	540.5
Merger related costs	23.9	18.0	—
Loss (income) from equity method investments	2.6	0.5	(6.5)
Operating profit	111.2	129.2	421.2
Interest expense	59.0	64.6	111.8
Loss on debt extinguishment	1.7	—	120.7
Income before income taxes	50.5	64.6	188.7
Income tax expense	15.8	12.7	58.7
Net income	$ 34.7	$ 51.9	$ 130.0

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly-owned subsidiaries, as well as all majority-owned subsidiaries and other entities for which we have a controlling interest. Entities that are 50% owned or less are accounted for under the equity method when we have the ability to exercise significant influence. We use the cost method of accounting for investments in which our ability to exercise significant influence is limited. All intercompany transactions and accounts have been eliminated. Consolidating the results of operations and financial position of variable interest entities for which we are the primary beneficiary does not have a material effect on sales, net income, or on our financial position for the fiscal periods presented.

Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows in foreign currencies are translated into U.S. dollars using the average exchange rate over the course of the fiscal year. The effect of exchange rate fluctuations on the translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive income (loss) and included in other comprehensive income (loss) for each period. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in selling, general and administrative expenses as incurred. We recorded net gains on foreign currency transactions of $0.2 million, $0.3 million and $1.1 million for the Successor Period, for the Predecessor Period and in fiscal year ended April 28, 2013, respectively, and net losses of $7.4 million and $0.4 million in fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Our Polish operations have different fiscal period end dates. As such, we have elected to consolidate the results of these operations on a one-month lag. We do not believe the impact of reporting the results of these entities on a one-month lag is material to the consolidated financial statements.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the U.S., which require us to make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of 90 days or less to be cash equivalents. The majority of our cash is concentrated in demand deposit accounts or money market funds. The carrying value of cash equivalents approximates market value.

Accounts Receivable

Accounts receivable are recorded net of the allowance for doubtful accounts. We regularly evaluate the collectibility of our accounts receivable based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer and historical experience. Based on our evaluation, we record reserves to reduce the related receivables to amounts we reasonably believe are collectible. Our reserve for uncollectible accounts receivable was $3.2 million, $14.6 million and $16.0 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively.

Inventories

Inventories consist of the following:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Livestock	$ 1,054.8	$ 1,113.5$	962.8
Fresh and packaged meats	956.7	960.8	912.1
Grains	134.5	162.0	90.4
Manufacturing supplies	69.3	57.7	59.1
Other	59.4	54.3	48.0
Total inventories	$ 2,274.7	$ 2,348.3	$ 2,072.4

Livestock are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of livestock that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh and packaged meats are valued based on USDA and other market prices and adjusted for the cost of further processing. Costs for fresh and packaged meats include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies principally consist of ingredients and packaging materials.

Derivative Financial Instruments and Hedging Activities

See Note 4—Derivative Financial Instruments for our policy.

Property, Plant and Equipment, Net

Property, plant and equipment is generally stated at historical cost, which includes the then fair values of assets acquired in business combinations, and depreciated on a straight-line basis over the estimated useful lives of the assets. Assets held under capital leases are classified in property, plant and equipment, net and amortized over the lease term. The amortization of assets held under capital leases is included in depreciation expense. The cost of assets held under capital leases was $32.5 million,

$34.0 million and $34.0 million at December 29, 2013, April 28, 2013 and April 29, 2012, respectively. The assets held under capital leases had accumulated amortization of $0.6 million, $3.1 million and $1.7 million at December 29, 2013, April 28, 2013 and April 29, 2012, respectively. Depreciation expense is included in either cost of sales or selling, general and administrative expenses, as appropriate. Depreciation expense totaled $53.7 million, $104.8 million, $235.3 million, $238.6 million and $227.4 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Interest is capitalized on property, plant and equipment over the construction period. Total interest capitalized was $0.4 million, $0.7 million, $4.8 million, $2.8 million and $1.6 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Property, plant and equipment, net, consists of the following:

		Successor	**Predecessor**	
	Useful Life	**December 29, 2013**	**April 28, 2013**	**April 29, 2012**
	(in Years)		*(in millions)*	
Land and improvements	0-20	$ 551.9	$ 276.1	$ 268.9
Buildings and improvements	20-40	846.3	1,788.6	1,690.6
Machinery and equipment	5-25	996.4	1,862.7	1,780.6
Breeding stock	2	193.2	186.7	182.1
Computer hardware and software	3-5	35.3	156.1	148.4
Other	3-10	66.4	94.4	89.1
Construction in progress		106.4	105.5	110.2
		2,795.9	4,470.1	4,269.9
Accumulated depreciation		(50.0)	(2,171.7)	(1,992.7)
Property, plant and equipment, net		$ 2,745.9	$ 2,298.4	$ 2,277.2

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows.

Goodwill and indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or sooner if impairment indicators arise. In the evaluation of goodwill for impairment, we may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, a prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

The first step in the two-step impairment test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is estimated by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples is dependent upon assumptions regarding future levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. When estimating future discounted cash flows, we consider the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based

on an industry- wide average cost of capital or location-specific economic factors. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Based on the results of our annual goodwill impairment tests, as of our testing date, no impairment indicators were noted for all the periods presented.

The carrying amount of goodwill included cumulative impairment losses of $6.0 million as of April 28, 2013 and April 29, 2012. These impairment losses were recognized in previous periods that are not presented.

Intangible assets consist of the following:

		Successor	**Predecessor**	
	Useful Life	**December 29, 2013**	**April 28, 2013**	**April 29, 2012**
	(in Years)		*(in millions)*	
Amortized intangible assets:				
Customer relations assets	14-16	$ 55.2	$ 23.0	$ 13.3
Patents, rights and leasehold interests	5-25	3.0	14.3	11.8
Contractual relationships	17-22	40.0	33.1	33.1
Accumulated amortization		(1.6)	(25.7)	(22.6)
Amortized intangible assets, net		96.6	44.7	35.6
Non-amortized intangible assets:				
Trademarks	Indefinite	1,309.2	339.6	340.1
Permits	Indefinite	—	6.1	6.1
Intangible assets, net		$ 1,405.8	$ 390.4	$ 381.8

The fair values of trademarks are calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. If the carrying value of our indefinite-lived intangible assets exceeds their fair value, an impairment loss is recognized in an amount equal to that excess. Intangible assets with finite lives are reviewed for recoverability when indicators of impairment are present using estimated future undiscounted cash flows related to those assets. We have determined that no impairments of our intangible assets existed for any of the periods presented.

Amortization expense for intangible assets was $1.7 million, $1.7 million, $3.1 million, $3.0 million and $3.2 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. As of December 29, 2013, the estimated amortization expense associated with our intangible assets for each of the next five fiscal years is expected to be $7.0 million.

Debt Issuance Costs, Premiums and Discounts

Debt issuance costs, premiums and discounts are amortized into interest expense over the terms of the related loan agreements using the effective interest method or other methods which approximate the effective interest method.

Investments

See Note 5—Investments for our policy.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. We accrue interest and penalties related to unrecognized tax benefits in other liabilities and recognize the related expense in income tax expense.

Pension Accounting

We recognize the funded status of our defined benefit pension plans in the consolidated balance sheets. We also recognize in other comprehensive income (loss), the net of tax results of the gains or losses and prior service costs or credits that arise during the period but are not recognized in net periodic benefit cost. These amounts are adjusted out of accumulated other comprehensive income (loss) as they are subsequently recognized as components of net periodic benefit cost.

We measure our pension and other postretirement benefit plan obligations and related plan assets as of the last day of our fiscal year. The measurement of our pension obligations and related costs is dependent on the use of assumptions and estimates. These assumptions include discount rates, salary growth, mortality rates and expected returns on plan assets. Changes in assumptions and future investment returns could potentially have a material impact on our expenses and related funding requirements.

Self-Insurance Programs

We are self-insured for certain levels of general and vehicle liability, property, workers' compensation, product recall and health care coverage. The cost of these self-insurance programs is accrued based upon estimated settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current period earnings.

Contingent Liabilities

We are subject to lawsuits, investigations and other claims related to the operation of our farms, labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees.

A determination of the amount of accruals and disclosures required, if any, for these contingencies is made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of material loss is at least reasonably possible or probable.

Our contingent liabilities contain uncertainties because the eventual outcome will result from future events. Our determination of accruals and any reasonably possible losses in excess of those accruals require estimates and judgments related to future changes in facts and circumstances, interpretations of the law, the amount of damages or fees, and the effectiveness of strategies or other factors beyond our control. If actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Revenue Recognition

We recognize revenues from product sales upon delivery to customers or when title passes. Revenue is recorded at the invoice price for each product net of estimated returns and sales incentives provided to customers. Sales incentives include various rebate and trade allowance programs with our customers, primarily discounts and rebates based on achievement of specified volume or growth in volume levels.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred except for certain production costs, which are expensed upon the first airing of the advertisement. Promotional sponsorship costs are expensed as the promotional events occur. Advertising costs totaled $48.0 million, $63.5 million, $143.1 million, $122.9 million and $120.1 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively, and are included in selling, general and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are reported as a component of cost of sales.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $23.2 million, $31.9 million, $80.9 million, $75.9 million and $47.0 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Recent Accounting Pronouncements

In July 2013, FASB issued guidance on the financial statement presentation of certain unrecognized tax benefits when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2013. The guidance is not currently effective for us and has not been applied in this Form 10-K. We are currently in the process of evaluating the potential impacts of future adoption but at this time do not anticipate it to have a material impact on our consolidated financial statements.

NOTE 2: MERGER AND ACQUISITIONS

WH Group Merger

On May 28, 2013, we entered into the Merger Agreement with WH Group and Merger Sub. The Merger was consummated on the Merger Date, and as a result, Merger Sub merged with and into the Company, with the Company surviving as a wholly owned subsidiary of WH Group. Upon completion of the Merger, all outstanding shares of Smithfield were cancelled and the

Company's shareholders received $34.00 in cash (the Merger Consideration) for each share of common stock held prior to the effective time of the Merger. Additionally, all outstanding stock-based compensation awards, both vested and unvested, were converted into the right to receive the Merger Consideration, less the exercise price of such awards, if any. The total consideration paid in connection with the Merger was approximately $4.9 billion.

On July 31, 2013, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes). Merger Sub incurred $20.4 million in transaction fees in connection with issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used in funding the Merger. The proceeds were used to fund a portion of the total consideration paid, repay certain outstanding debt of the Company and pay certain transaction fees associated with the Merger.

WH Group is the majority shareholder of Henan Shuanghui Investment & Development Co., which is China's largest meat processing enterprise and China's largest publicly traded meat products company as measured by market capitalization. WH Group is a pioneer in the Chinese meat processing industry with over 30 years of history. WH Group's businesses include hog production, meat processing, fresh meat and packaged meats production and distribution. The merging of WH Group's distribution network with our strong management team, leading brands and vertically integrated model will allow us to provide high-quality, competitively priced and safe U.S. meat products to consumers in markets around the world.

WH Group's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. The preliminary allocation of consideration to the assets acquired and liabilities assumed by WH Group in the Merger reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. Measurement period adjustments will be applied retrospectively to the Merger Date.

The following is a summary of the preliminary allocation of the total purchase consideration to the estimated fair values of our assets acquired, liabilities assumed and noncontrolling interests by WH Group in the transaction:

	(in millions)
Cash and cash equivalents	$ 250.5
Accounts receivable	764.6
Inventories	2,506.9
Prepaid expenses and other current assets	215.0
Property, plant and equipment	2,726.5
Goodwill	1,622.5
Investments	495.5
Intangible assets	1,403.0
Other assets	171.2
Assets acquired by WH Group	10,155.7
Current portion of long-term debt and capital lease obligations	239.1
Accounts payable	535.3
Accrued expenses and other current liabilities	577.0
Long-term debt and capital lease obligations	2,509.1
Net long-term pension liability	522.8
Deferred income taxes, net	695.4
Other liabilities	125.8
Liabilities assumed by WH Group	5,204.5
Redeemable noncontrolling interests and noncontrolling interests	48.2
Total purchase consideration	$ 4,903.0

Accounts receivable and accounts payable, as well as certain other current and non-current assets and liabilities, were valued at their existing carrying values as they approximated fair value of those items at the time of the Merger, based on management's judgments and estimates.

Inventories were valued using a net realizable value approach with the exception of manufacturing supplies and other inventories, which were valued using the replacement cost approach.

Property, plant and equipment have been valued using a combination of the market approach and the indirect cost approach which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional and economic factors.

Intangible assets acquired include trademarks, customer relations assets, contractual relationships and rights with fair values of $1.3 billion, $55.0 million, $40.0 million and $3.0 million, respectively. The customer relations assets, contractual relationships and rights will be amortized over useful lives of 14 years, 17 years and 12 years, respectively. The trademarks are not subject to amortization.

Trademarks, including trade names, have been valued using the relief from royalty method. We utilized a bottoms-up approach to assess the appropriate royalty rates for trade names focused on consideration of the profitability of each trade name, the implied premium margin earned on branded versus private label sales of similar products for each trade name, market studies and third-party comparable licensing agreements.

Customer relations assets were determined using the multi-period excess earnings methodology utilizing our forecasted metrics and/or a market participant distributor model.

Contractual relationships were valued based on the time and associated costs that would be required to recreate the existing relationships in addition to the lost profits over this time period using the avoided costs or lost profits method. Rights were also valued using an avoided costs or lost profits method.

The benefit obligation for both our qualified and non-qualified defined benefit pension plans was remeasured as of the Merger Date with the assistance of an independent third-party actuary.

Existing long-term debt assumed in the Merger was fair valued based on quoted market prices. Long-term debt assumed included our outstanding 6.625% senior unsecured notes due August 2022 (the 2022 Notes) and our outstanding 7.75% senior unsecured notes due July 2017 (the 2017 Notes).

Deferred income tax assets and liabilities as of the Merger Date represent the expected future tax consequences of temporary differences between the fair values of the assets acquired and the liabilities assumed as a result of the Merger and their tax basis.

Goodwill reflects the amount of the total consideration paid that exceeded the fair value of the identifiable assets acquired, liabilities assumed and noncontrolling interests. Goodwill recognized as a result of the Merger is not deductible for tax purposes and has not been allocated to our reportable segments as of December 29, 2013.

In connection with the Merger, we incurred $23.9 million and $18.0 million of professional fees during the Successor Period and Predecessor Period, respectively. These fees are recognized in merger related costs on the consolidated statements of income. In addition, Merger Sub deferred $17.3 million of debt issuance costs for a financing arrangement. We recognized these deferred costs in interest expense during the Successor Period upon termination of the financing arrangement following the Merger. All of these charges are reflected in the results of our Corporate segment.

The following unaudited pro forma financial data summarizes the Company's results of operations as if the Merger had occurred as of April 30, 2012. The pro forma data is for informational purposes only and may not necessarily reflect the actual results of operations had the Merger been consummated on April 30, 2012.

	Eight Months Ended December 29, 2013	Fiscal Year Ended April 28, 2013
	(in million and unaudited)	
Sales	$ 9,573.7	$ 13,221.1
Net income	192.9	219.6

The most significant pro forma adjustments were to reflect the impact of fair value step-ups of both assets and liabilities (e.g., inventory, property, plant and equipment, long-term debt) and fees and expenses related to the Merger noted above.

Kansas City Sausage, LLC

In May 2013, we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS), for $36.0 million in cash. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller (the Advance Note). The Advance Note was recorded in other assets in the consolidated balance. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS is a leading U.S. sausage producer and sow processor with annual revenues of approximately $200 million. The merging of KCS's low-cost, efficient operations and high-quality products with our strong brands and sales and marketing team should contribute growth to our packaged meats business. KCS operates in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, KCS produces premium raw materials for sausage, as well as value-added products, including boneless hams and hides.

KCS is managed by its Board of Directors, which makes decisions that most significantly impact the economic performance of KCS. We have the right to nominate and elect the majority of the members of the Board of Directors of KCS, and based on the associated voting rights, we have determined that we have a controlling financial interest in KCS. As a result, the acquisition of our interest in KCS was accounted for in the Pork segment using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and noncontrolling interests in the acquiree be recognized at their fair values as of the acquisition date. The purchase price allocation includes assets acquired, excluding goodwill, of $39.2 million, liabilities assumed of $10.7 million, goodwill of $43.5 million and redeemable noncontrolling interests of $36.0 million.

Our initial estimate of the fair value of the noncontrolling interests was measured based on market multiples for similar companies in our industry and consideration of the terms of the acquisition, which provide the noncontrolling interest holder the right to exercise a put option at any time after the fifth anniversary of the acquisition, which would obligate us to redeem their interest. The noncontrolling interests is classified outside of equity as redeemable noncontrolling interests in the consolidated condensed balance sheet. The redemption amount is the greater of $45.0 million or the result of a computed amount based on a fixed multiple of earnings. We have elected to accrete changes in the redemption amount of the noncontrolling interest over the five year period until it becomes redeemable. If the noncontrolling interests had been redeemable as of December 29, 2013, the redemption amount would have been $45.0 million.

American Skin Food Group, LLC

In September 2012, we acquired a 70% controlling interest in American Skin Food Group, LLC (American Skin) for $24.2 million in cash.

Located in Burgaw, North Carolina, American Skin manufactures and supplies pork rinds to the snack food industry. By leveraging our coordinated sales and marketing team, we believe American Skin can expand into new markets both domestically and internationally, which could substantially increase current sales of approximately $25.0 million and net income of approximately $3.0 million annually over the next five to seven years with minimal additional plant investment.

The acquisition of American Skin was accounted for in the Pork segment using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and noncontrolling interests in the acquiree be recognized at their fair values as of the acquisition date. The purchase price allocation includes assets acquired, excluding goodwill, of $18.7 million, liabilities assumed of $0.5 million, goodwill of $16.4 million and noncontrolling interests of $10.4 million.

Goodwill was recognized to reflect the amount of the enterprise fair value that exceeded the fair value of the identifiable assets acquired and liabilities assumed. The amount of goodwill that is expected to be deductible for tax purposes is $10.5 million.

The fair value of the noncontrolling interests was measured based on market multiples for similar public companies and consideration of the terms of the acquisition, which provide the noncontrolling interests holders the right to exercise a put option, which would obligate us to redeem their interests. The redemption amount is based on a fixed multiple of earnings, which is consistent with the formula utilized in determining the purchase price for our 70% interest.

NOTE 3: DISPOSAL OF LONG-LIVED ASSETS

Portsmouth, Virginia Plant

In November 2011, we announced that we would shift the production of hot dogs and lunchmeat from The Smithfield Packing Company, Inc.'s (Smithfield Packing) Portsmouth, Virginia plant to our Kinston, North Carolina plant and permanently close the Portsmouth facility. The Kinston facility was expanded to handle the additional production and incorporates state of the art technology and equipment, which is expected to produce significant production efficiencies and cost reductions. The expansion of the Kinston facility and the closure of the Portsmouth facility were completed in the second half of calendar year 2013.

As a result of this decision, we performed an impairment analysis of the related assets at the Portsmouth facility in the second quarter of fiscal 2012 and determined that the net cash flows expected to be generated over the anticipated remaining useful life of the plant are sufficient to recover its book value. As such, no impairment existed. However, we revised depreciation estimates to reflect the use of the related assets at the Portsmouth facility over their shortened useful lives. As a result, we recognized accelerated depreciation charges of $4.4 million and $3.3 million in cost of sales during fiscal 2013 and fiscal 2012, respectively. Also, in connection with this decision, we wrote-down inventory by $0.8 million in cost of sales and accrued $0.6 million for employee severance in selling, general and administrative expenses in the second quarter of fiscal 2012. All of these charges are reflected in the Pork segment.

Hog Farms

Texas

In January 2011, we sold a portion of our Dalhart, Texas hog production assets to a crop farmer for net proceeds of $9.1 million and recognized a loss on the sale of $1.8 million in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. In April 2011, we completed the sale of the remaining assets of our Dalhart, Texas operation and received net proceeds of $32.5 million. As a result of the sale, we recognized a gain of $13.6 million, after allocating $8.5 million in goodwill to the asset group, in selling, general and administrative expenses in our Hog Production segment in the fourth quarter of fiscal 2011. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Oklahoma and Iowa

In January 2011, we completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, we received total net proceeds of $70.4 million and recognized gains totaling $6.9 million, after allocating $17.0 million of goodwill to these asset groups. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The gains were recorded in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Missouri

In the first half of fiscal 2011, we began reducing the hog population on certain hog farms in Missouri in order to comply with an amended consent decree. The amended consent decree allows us to return the farms to full capacity upon the installation of an approved "next generation" technology that would reduce the level of odor produced by the farms. The reduced hog raising capacity at these farms was replaced with third party contract farmers in Iowa. In the first quarter of fiscal 2011, in connection with the anticipated reduction in finishing capacity, we performed an impairment analysis of these hog farms and determined that the book value of the assets was recoverable and thus, no impairment existed.

Based on the favorable hog raising performance experienced with these third party contract farmers and the amount of capital required to install "next generation" technology at our Missouri farms, we made the decision in the first quarter of fiscal 2012 to permanently idle certain of the assets on these farms. Depreciation estimates were revised to reflect the shortened useful lives of the assets. As a result, we recognized accelerated depreciation charges of $8.2 million in fiscal 2012. These charges are reflected in the Hog Production segment.

Butterball, LLC (Butterball)

In June 2010, we announced that we had made an offer to purchase our joint venture partner's 51% ownership interest in Butterball and our partner's related turkey production assets. In accordance with Butterball's operating agreement, our partner had to either accept the offer to sell or be required to purchase our 49% interest and our related turkey production assets, which we refer to below as our turkey operations.

In September 2010, we were notified of our joint venture partner's decision to purchase our 49% interest in Butterball and our related turkey production assets. In December 2010, we completed the sale of these assets for $167.0 million and recognized a gain of $0.2 million. The gain was calculated as the cash selling price, net of costs to sell, less the carrying amount of the asset disposal group. The operating results and cash flows from our turkey operations were not considered material for separate disclosure.

NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn, soybean meal and wheat, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also periodically enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge

accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements. Additionally, certain of our derivative contracts contain credit risk related contingent features, which would require us to post additional cash collateral to cover net losses on open derivative instruments if our credit rating was downgraded. As of December 29, 2013, the net liability position of our open derivative instruments that are subject to credit risk related contingent features was not material.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties under financial instruments. Although our counterparties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counterparties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit exposure to non-exchange traded derivatives. Determination of the credit quality of our counter- parties is based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of December 29, 2013, we had credit exposure of $6.1 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, we had no significant credit exposure as of December 29, 2013. No significant concentrations of credit risk existed as of December 29, 2013.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. All derivative contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated balance sheets, as appropriate.

The following tables present the fair values of our open derivative financial instruments on a gross basis.

	Assets	**Liabilities**
	Successor	
	December 29, 2013	**December 29, 2013**
	(in millions)	
Derivatives using the "hedge accounting" method:		
Grain contracts	$ 5.5	$ 16.2
Livestock contracts	0.7	1.1
Foreign exchange contracts	0.6	—
Total	6.8	17.3
Derivatives using the "mark-to-market" method:		
Grain contracts	0.6	1.1
Livestock contracts	2.8	9.5
Energy contracts	2.9	—
Foreign exchange contracts	0.6	0.2
Total	6.9	10.8
Total fair value of derivative instruments	$ 13.7	$ 28.1

	Assets Predecessor		Liabilities Predecessor	
	April 28, 2013	April 29, 2012	April 28, 2013	April 29, 2012
	(in millions)		(in millions)	
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 2.5	$ 35.3	$ 73.0	$ 9.6
Livestock contracts	4.1	22.9	1.1	—
Foreign exchange contracts	0.2	1.9	0.1	—
Total	6.8	60.1	74.2	9.6
Derivatives using the "mark-to-market" method:				
Grain contracts	6.2	9.1	13.7	1.0
Livestock contracts	12.4	7.4	0.7	7.2
Energy contracts	3.1	—	0.6	12.2
Foreign exchange contracts	0.6	2.4	0.3	0.7
Total	22.3	18.9	15.3	21.1
Total fair value of derivative instruments	$ 29.1	$ 79.0	$ 89.5	$ 30.7

The majority of our derivatives are exchange traded futures contracts held with brokers, subject to netting arrangements that are enforceable during the ordinary course of business. Additionally, we have a smaller portfolio of over-the-counter (OTC) derivatives that are held by counterparties under netting arrangements found in typical master netting agreements. These agreements generally legally allow for net settlement in the event of bankruptcy. We offset the fair values of derivative assets and liabilities that are executed with the same counterparty under a master netting arrangement in the consolidated balance sheet. We do not offset the related cash collateral held with or received from the same counterparty with the fair value of the net derivative position. As of December 29, 2013, prepaid expenses and other current assets included $47.6 million representing cash on deposit with brokers to cover losses on our open derivative instruments.

The following tables reconcile the gross amounts of derivative assets and liabilities to the net amounts presented in our consolidated balance sheets, and the related effects of cash collateral under netting arrangements that provide a legal right of offset of assets and liabilities.

	December 29, 2013				
	Gross Amount of Derivative Assets (Liabilities)	Netting of Derivative Assets (Liabilities)	Net Amount Presented in the Consolidated Balance Sheet	Cash Collateral Received (Pledged)(1)	Net Amount
	(in millions)				
Assets:					
Commodities	$ 12.5	$ (7.4)	$ 5.1	$ —	$ 5.1
Foreign exchange contracts	1.2	—	1.2	—	1.2
Total	$ 13.7	$ (7.4)	$ 6.3	$ —	$ 6.3
Liabilities:					
Commodities	$ (27.9)	$ 7.4	$ (20.5)	$ (15.6)	$ (4.9)
Foreign exchange contracts	(0.2)	—	(0.2)	—	(0.2)
Total	$ (28.1)	$ 7.4	$ (20.7)	$ (15.6)	$ (5.1)

	April 28, 2013				
	Gross Amount of Derivative Assets (Liabilities)	Netting of Derivative Assets (Liabilities)	Net Amount Presented in the Consolidated Balance Sheet	Cash Collateral Received (Pledged)[(1)]	Net Amount
	(in millions)				
Assets:					
Commodities	$ 28.3	$ (21.5)	$ 6.8	$ 3.6	$ 3.2
Foreign exchange contracts	0.8	—	0.8	—	0.8
Total	$ 29.1	$ (21.5)	$ 7.6	$ 3.6	$ 4.0
Liabilities:					
Commodities	$ (89.1)	$ 21.5	$ (67.6)	$ (53.4)	$ (14.2)
Foreign exchange contracts	(0.4)	—	(0.4)	—	(0.4)
Total	$ (89.5)	$ 21.5	$ (68.0)	$ (53.4)	$ (14.6)

	April 29, 2012				
	Gross Amount of Derivative Assets (Liabilities)	Netting of Derivative Assets (Liabilities)	Net Amount Presented in the Consolidated Balance Sheet	Cash Collateral Received (Pledged)[(1)]	Net Amount
	(in millions)				
Assets:					
Commodities	$ 74.7	$ (21.4)	$ 53.3	$ 14.2	$ 39.1
Foreign exchange contracts	4.3	—	4.3	—	4.3
Total	$ 79.0	$ (21.4)	$ 57.6	$ 14.2	$ 43.4
Liabilities:					
Commodities	$ (30.0)	$ 21.4	$ (8.6)	$ (4.4)	$ (4.2)
Foreign exchange contracts	(0.7)	—	(0.7)	—	(0.7)
Total	$ (30.7)	$ 21.4	$ (9.3)	$ (4.4)	$ (4.9)

(1) Cash collateral received represents the cash received from brokers and is included in accrued expenses and other current liabilities on the consolidated balance sheets. Cash collateral pledged represents the cash on deposit with brokers and is included in prepaid expenses and other current assets on the consolidated balance sheets. Cash on deposit is the initial margin deposited with the broker plus the cash margin to cover gains and losses on our open positions. The cash collateral presented in the table is limited to amounts available to offset our open net derivative positions under master netting arrangements, and therefore does not reflect the Company's total amount received or pledged. For example, initial margin deposited with our brokers would not be included in the table to the extent it exceeds the net loss position on our open derivative instruments.

See Note 12 — Fair Value Measurements for additional information about the fair value of our derivatives.

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn, wheat and soybean meal. In addition, we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. As of December 29, 2013, we had no cash flow hedges for forecasted transactions beyond December 2014.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. The ineffective portion of derivative gains and losses is recognized as part of current period earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

During April 29 - December 29, 2013, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	**Maximum**	**Metric**
Commodities:			
Corn	42,575,000	86,625,000	Bushels
Soybean meal	321,414	581,656	Tons
Lean Hogs	81,600,000	777,360,000	Pounds
Foreign currency[(1)]	14,401,942	48,301,575	U.S. Dollars

(1) Amounts represent the U.S. dollar equivalent of various foreign currency contracts.

The following tables present the effects on our consolidated financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the periods indicated:

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)		**Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Earnings (Effective Portion)**		**Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)**	
	Successor September 27 - December 29, 2013	**Predecessor April 29 - September 26, 2013**	**Successor September 27 - December 29, 2013**	**Predecessor April 29 - September 26, 2013**	**Successor September 27 - December 29, 2013**	**Predecessor April 29 - September 26,2013**
	(in millions)		*(in millions)*		*(in millions)*	
Commodity contracts:						
Grain contracts	$ (8.9)	$ 3.1	$ (0.9)	$ 23.6	$ (3.7)	$ 1.3
Lean hog contracts	3.1	(29.3)	3.0	5.9	—	(0.8)
Foreign exchange contracts	3.5	(0.4)	0.3	(0.3)	—	—
Total	$ (2.3)	$ (26.6)	$ 2.4	$ 29.2	$ (3.7)	$ 0.5

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Earnings (Effective Portion)			Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)		
	Predecessor			Predecessor			Predecessor		
	Fiscal Year Ended			Fiscal Year Ended			Fiscal Year Ended		
	April 28, 2013	April 29, 2012	May 1, 2011	April 28, 2013	April 29, 2012	May 1, 2011	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)			*(in millions)*			*(in millions)*		
Commodity contracts:									
Grain contracts	$39.1	$ 5.5	$232.9	$108.4	$ 75.1	$ 80.7	$ —	$(0.2)	$ 1.9
Lean hog contracts	13.6	102.8	(82.8)	54.9	32.3	(44.5)	0.4	(0.5)	(1.0)
Interest rate contracts	—	—	(1.2)	—	(2.4)	(7.0)	—	—	—
Foreign exchange contracts	0.4	(2.5)	(4.1)	2.1	(4.1)	(2.6)	—	—	—
Total	$53.1	$105.8	$144.8	$165.4	$100.9	$ 26.6	$0.4	$(0.7)	$ 0.9

For the periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial.

During fiscal 2012 and 2011, we discontinued cash flow hedge accounting on certain grain contracts as it became probable that the original forecasted transactions would not transpire. As a result of this change, the table above for fiscal 2012 includes gains of $12.0 million on grain contracts de-designated from hedging relationships that were reclassified from accumulated other comprehensive income (loss) into earnings in fiscal 2012. The related impact of discontinued cash flow hedges in fiscal 2011 was immaterial.

As of December 29, 2013, there were deferred net losses of $4.8 million, net of tax of $3.1 million, in accumulated other comprehensive income (loss). We expect to reclassify $0.1 million ($0.1 million net of tax) of the deferred net gains on closed commodity contracts into earnings in fiscal 2014. We are unable to estimate the unrealized gains or losses to be reclassified into earnings in fiscal 2014 related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts.

During April 29 - December 29, 2013, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	—	6,230,000	Bushels

The following tables present the effects on our consolidated statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the periods indicated:

	Gain (Loss) Recognized in Earnings on Derivative				
	Successor	**Predecessor**			
			Fiscal Year Ended		
	September 27 - December 29, 2013	**April 29 - September 26, 2013**	**April 28, 2013**	**April 29, 2012**	**May 1, 2011**
	(in millions)				
Commodity contracts(1)	$—	$0.5	$(12.8)	$21.9	$(4.2)

(1) Includes losses of $7.5 million in fiscal year ended April 28, 2013 and gains of $5.1 million and $0.2 million in fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively, representing differences between the spot and futures prices for fair value hedges of hog inventory, which are recorded directly into earnings as they occur. There were no fair value hedges of hog inventory during the Successor Period nor during the Predecessor Period and, therefore, no differences between spot and futures prices were recognized during the Successor Period nor during the Predecessor Period.

	Gain (Loss) Recognized in Earnings on Related Hedged Item				
	Successor	**Predecessor**			
			Fiscal Year Ended		
	September 27 - December 29, 2013	**April 29 - September 26, 2013**	**April 28, 2013**	**April 29, 2012**	**May 1, 2011**
	(in millions)				
Commodity contracts	$0.1	$(0.5)	$5.0	$(16.7)	$5.4

We recognized gains of $4.1 million in the Predecessor Period, losses of $2.5 million in fiscal year ended April 28, 2013, gains of $6.0 million in fiscal year ended April 29, 2012 and losses of $24.9 million in fiscal year ended May 1, 2011, respectively, on closed commodity derivative contracts as the underlying cash transactions affected earnings.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in either sales or cost of sales for commodity contracts, and selling, general and administrative expenses for foreign exchange contracts.

During April 29 - December 29, 2013, the range of notional volumes associated with open derivative instruments using the "mark-to-market" method was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	1,560,000	403,840,000	Pounds
Corn	25,000	10,115,000	Bushels
Soybean meal	—	34,145	Tons
Soybeans	—	1,820,000	Bushels
Wheat	—	750,000	Bushels
Natural gas	8,470,000	12,380,000	Million BTU
Diesel	1,260,000	3,360,000	Gallons
Foreign currency[(1)]	6,650,552	62,676,842	U.S. Dollars

(1) Amounts represent the U.S. dollar equivalent of various foreign currency contracts.

The following table presents the amount of gains (losses) recognized in the consolidated statements of income on derivative instruments using the "mark-to-market" method by type of derivative contract for the periods indicated:

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
			(in millions)		
Commodity contracts (cost of sales)	$ 3.1	$ 0.6	$ 12.9	$ 6.4	$ 63.4
Commodity contracts (sales)	(9.0)	7.9	29.7	—	—
Foreign exchange contracts	1.2	(0.2)	3.7	7.7	(9.0)
Total	$ (4.7)	$ 8.3	$ 46.3	$ 14.1	$ 54.4

The table above reflects gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within the period presented. The table includes amounts for both realized and unrealized gains and losses. The table is not, therefore, a simple representation of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 5: INVESTMENTS

Investments consist of the following:

Equity Investment	Segment	% Owned	Successor December 29, 2013	Predecessor April 28, 2013	Predecessor April 29, 2012
				(in millions)	
Campofrío Food Group (CFG)	International	37%	$ 351.4	$ 376.2	$ 385.2
Mexican joint ventures	International	50%	118.0	129.6	111.2
All other equity method investments	Various	Various	27.1	26.6	26.2
Total investments			$ 496.5	$ 532.4	$ 522.6

We record our share of earnings and losses from our equity method investments in (income) loss from equity method investments. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated financial statements.

As of December 29, 2013, we held 37.8 million shares of CFG common stock. Shares of CFG are publicly traded on the Bolsa de Madrid Exchange (Madrid Exchange). Our investment in CFG contractually entitles us to two seats on CFG's board of directors, giving us the ability to exert significant influence over the strategic and operational decisions of our investee. The stock is very thinly traded on the Madrid Exchange. CFG is a closely held company, with the three largest shareholders owning approximately 74% of the outstanding shares. We are CFG's largest shareholder, with approximately a 37% interest.

As discussed in Note 2—Merger and Acquisitions, we performed a preliminary allocation of the total purchase consideration from the Merger between the assets acquired and liabilities assumed by WH Group, including our investments. In assessing the fair value of our investment in CFG, we considered a variety of information, including CFG's history of positive cash flows, expectations about the future cash flows of CFG, market multiples for comparable businesses, and an influence premium applied to the market price of CFG's shares on the Madrid Exchange to adjust for our contractual right to two board seats and our ability to exert significant influence over the operational and strategic decisions.

In November 2013, Mexican processed meats producer Sigma Alimentos (Sigma) announced its intention to tender for all of CFG's outstanding shares at a bid price of €6.80 per share (the Bid Price). As part of the announcement, Sigma publicly acknowledged that it has obtained commitments to purchase approximately 44.5% of CFG's outstanding shares at the Bid Price. The Bid Price offered by Sigma was also considered in our fair value assessment discussed above. In December 2013, we announced our intention to join Sigma in its tender offer by retaining our 37% interest in CFG. As a result of our agreement with Sigma, the Bid Price was increased to €6.90 per share.

(Income) loss from equity method investments consists of the following:

		Successor	Predecessor			
				Fiscal Year Ended		
Equity Investment	**Segment**	**September 27 - December 29, 2013**	**April 29 - September 26, 2013**	**April 28, 2013**	**April 29, 2012**	**May 1, 2011**
			(in millions)			
CFG[(1)]	International	$ (0.3)	$ (0.4)	$ (4.8)	$ 25.0	$ (17.0)
Mexican joint ventures	International	2.4	2.1	(9.3)	(13.4)	(29.6)
All other equity method investments	Various	0.5	(1.2)	(0.9)	(1.7)	(3.5)
Loss (income) from equity method investments		$ 2.6	$ 0.5	$ (15.0)	$ 9.9	$ (50.1)

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

In December 2011, the board of CFG approved a multi-year plan to consolidate and streamline its manufacturing operations to improve operating efficiencies and increase utilization (the CFG Consolidation Plan). The CFG Consolidation Plan includes the disposal of certain assets, employee redundancy costs and the contribution of CFG's French cooked ham business into a newly formed joint venture. As a result, we recorded our share of CFG's charges totaling $38.7 million in loss (income) from equity method investments within the International segment in fiscal 2012.

The following summarized financial information for CFG is based on CFG's financial statements and translated into U.S. Dollars:

	April 29 - December 29, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)		
Income statement information:				
Sales	$1,717.6	$2,464.6	$2,536.1	$2,433.3
Gross profit	389.9	564.4	583.0	423.0
Net income (loss)	8.1	13.0	(71.2)	46.1

	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Balance sheet information:			
Current assets	$ 821.5	$ 909.9	$ 944.5
Long-term assets	2,051.2	1,926.8	1,930.4
Current liabilities	999.0	993.6	941.9
Long-term liabilities	1,077.7	1,094.2	1,168.1

NOTE 6: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Payroll and related benefits	$ 222.9	$ 246.8	$ 233.5
Customer incentives	91.7	88.6	81.7
Derivative instruments and broker deposits	20.5	71.0	23.0
Insurance reserves	63.5	60.9	63.3
Accrued interest	64.7	34.9	41.9
Other	169.4	138.8	213.6
Total accrued expenses and other current liabilities	$ 632.7	$ 641.0	$ 657.0

NOTE 7: DEBT

Long-term debt consists of the following:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
6.625% senior unsecured notes, due August 2022, including unamortized premiums of $21.7 million (Successor) and unamortized discounts of $4.7 million(Predecessor)	$ 1,021.3	$ 995.3	$ —
10% senior secured notes, due July 2014, including unamortized discounts of $7.0million (Predecessor)	—	—	357.4
10% senior secured notes, due July 2014, including unamortized premiums of $4.4million (Predecessor)	—	—	229.4
7.75% senior unsecured notes, due July 2017, including unamortized premiums of$54.0 million (Successor)	538.4	500.0	500.0
5.25% senior unsecured notes, due August 2018	500.0	—	—
5.875% senior unsecured notes, due August 2021	400.0	—	—
7.75% senior unsecured notes, due May 2013	—	55.0	160.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $4.1 million (Predecessor) and $26.8 million (Predecessor)	—	395.9	373.2
Floating rate senior unsecured term loan, due May 2018	200.0	200.0	200.0
Floating rate senior unsecured term loan, due February 2014	—	200.0	—
Inventory Revolver, LIBOR plus 3.25%	145.0	—	—
Securitization Facility, the lender's cost of funds of 0.21% plus 1.15%	105.0	—	—
Various, interest rates from 0.0% to 5.20%, due February 2014 through June 2017	110.4	132.9	117.3
Total debt	3,020.1	2,479.1	1,937.3
Current portion	(47.3)	(675.1)	(62.5)
Total long-term debt	$ 2,972.8	$ 1,804.0	$ 1,874.8

As noted in Note 2—Merger and Acquisitions, existing long-term debt assumed by WH Group was adjusted to fair value based on quoted market prices. Premiums shown above as of December 29, 2013 represent the unamortized balance of the fair value adjustment to our 2022 Notes and 2017 Notes.

Scheduled principal payments on long-term debt for the next five years are as follows:

Fiscal Year	*(in millions)*
2014	$ 47.3
2015	64.5
2016	254.4
2017	503.6
2018	675.0

2022 Notes

In August 2012, we issued $1.0 billion aggregate principal amount of ten year, 6.625% senior unsecured notes at a price equal to 99.5% of their face value in a registered public offering (2022 Notes). We received net proceeds of $981.2 million, after underwriting discounts and commissions and offering expenses, upon settlement of the 2022 Notes in August 2012. We incurred $18.0 million in transaction fees in connection with issuance of the 2022 Notes, which were being amortized over the ten-year life of the notes.

The unamortized amount of transaction fees incurred in connection with the issuance of the 2022 Notes was written off when we performed the preliminary allocation of the total purchase consideration to the assets and liabilities assumed by WH Group in the Merger.

Debt Extinguishments

2011 Notes

During fiscal 2011, we repurchased $522.2 million of our 7% senior unsecured notes due August 2011 (2011 Notes) for $543.1 million and recognized losses on debt extinguishment totaling $21.4 million, including the write-off of related unamortized premiums and debt costs.

During fiscal 2012, we redeemed the remaining $77.8 million of our 7% senior unsecured notes due August 2011.

2013 Notes and 2014 Notes

In January 2011, we commenced a Dutch auction cash tender offer to purchase for $450.0 million in cash (the January Tender Offer) the maximum aggregate principal amount of our outstanding 7.75% senior unsecured notes due May 2013 (2013 Notes) and our outstanding 10% senior secured notes due July 2014 (2014 Notes). As a result of the January Tender Offer, we paid $450.0 million to repurchase 2013 Notes and 2014 Notes with face values of $190.0 million and $200.9 million, respectively, and recognized losses on debt extinguishment totaling $71.1 million in the fourth quarter of fiscal 2011, including the write-off of related unamortized discounts and debt costs.

During fiscal 2012, we repurchased $59.7 million of our 2014 Notes for $68.3 million and recognized losses on debt extinguishment of $11.0 million, including the write-off of related unamortized discounts and debt costs.

In conjunction with the issuance of the 2022 Notes in July 2012, we commenced a tender offer to purchase any and all of our outstanding 2013 Notes and any and all of our outstanding 2014 Notes (the July 2012 Tender Offer). The July 2012 Tender Offer expired in August 2012. As a result of the July 2012 Tender Offer, we paid $649.4 million to repurchase 2013 Notes and 2014 Notes with face values of $105.0 million and $456.6 million, respectively. Also in August 2012, we exercised the redemption feature available under our 2014 Notes and paid $155.5 million to repurchase the remaining $132.8 million of our 2014 Notes. Net proceeds from the issuance of the 2022 Notes were used to make all of the repurchases of the 2013 Notes and 2014 Notes. As a result of these repurchases, we recognized losses on debt extinguishment totaling $120.7 million in fiscal 2013, including the write-off of related unamortized discounts, premiums and debt issuance costs.

In May 2013, we repaid the remaining outstanding principal amount on our 7.75% senior unsecured notes totaling $55.0 million.

2017 Notes and 2022 Notes

During the Successor Period, we repurchased $15.6 million and $0.4 million of our 2017 Notes and 2022 Notes, respectively, for $18.1 million and recognized losses on debt extinguishment of $1.7 million.

Debt Assumed

On July 31, 2013, Merger Sub issued the Merger Sub Notes as part of the financing for the acquisition of the Company. Upon the consummation of the Merger and release of the proceeds from escrow, the Merger Sub Notes became unsecured obligations of the Company ranking equally in right of payment with all of our existing and future senior unsecured indebtedness. The proceeds were used in part to repay the outstanding $200.0 million due on our Bank of America Term Loan. See Note 2— Merger and Acquisitions for further information on the Merger Sub Notes.

Working Capital Facilities

In June 2011, we refinanced our asset-based revolving credit agreement totaling $1.0 billion that supported short-term funding needs and letters of credit (the ABL Credit Facility) into two separate facilities: (1) an inventory-based revolving credit facility totaling $925.0 million, with an option to expand up to $1.225 billion (the Inventory Revolver), and (2) an accounts receivable securitization facility totaling $275.0 million (the Securitization Facility). We may request working capital loans and letters of credit under both facilities. As a result of the refinancing, we recognized a loss on debt extinguishment of $1.2 million in the first quarter of fiscal 2012 for the write-off of unamortized debt issuance costs associated with the ABL Credit Facility.

In January 2013, we partially exercised the accordion feature of our Second Amended and Restated Credit Agreement and increased the borrowing capacity of the Inventory Revolver from a total of $925.0 million to a total of $1.025 billion. All other terms and conditions of the Inventory Revolver were unchanged, including the limitation on the actual amount of credit that is available from time to time under the Inventory Revolver as a result of borrowing base valuations of our inventory, accounts receivable and certain cash balances.

We have the right to further exercise the accordion feature and increase its total revolving commitment by an additional aggregate amount not to exceed $200.0 million, to the extent that any one or more new or existing lenders commit to being a lender for the additional amount and certain other customary conditions are met.

Availability under the Inventory Revolver is a function of the level of eligible inventories, subject to reserves. The Inventory Revolver matures in June 2016. The unused commitment fee and the interest rate spreads are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). As of December 29, 2013, the unused commitment fee rate and interest rate were 0.625% and LIBOR plus 3.25%, respectively. The Inventory Revolver includes financial covenants. The ratio of our funded debt to capitalization (as defined in the Second Amended and Restated Credit Agreement) may not exceed 0.5 to 1.0, and our EBITDA to interest expense ratio (as defined in the Second Amended and Restated Credit Agreement) may not be less than 2.5 to 1.0. We and our material U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under the Inventory Revolver, and those obligations are secured by a first priority lien on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property, and certain equity interests. We incurred approximately $9.7 million in transaction fees in connection with the Inventory Revolver, which were being amortized over its five-year life.

The unamortized amount of transaction fees incurred in connection with the Inventory Revolver was written off when we performed the preliminary allocation of the total purchase consideration to the assets and liabilities assumed by WH Group in the Merger.

The Securitization Facility matures in May 2016. As part of the arrangement, all accounts receivable of our major Pork segment subsidiaries 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 our consolidated financial statements and

therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should we become insolvent. As of December 29, 2013, the SPV held $539.0 million of accounts receivable and we had $105.0 million outstanding borrowings on the Securitization Facility.

The unused commitment fee rate and the interest rate under the Securitization Facility were 0.45% and 0.21% plus 1.15% as of December 29, 2013, respectively. We incurred approximately $1.3 million in transaction fees in connection with the Securitization Facility, which were being amortized over its original three-year life.

The unamortized amount of transaction fees incurred in connection with the Securitization Facility was written off when we performed the preliminary allocation of the total purchase consideration to the assets and liabilities assumed by WH Group in the Merger.

As of December 29, 2013, we had aggregate credit facilities and credit lines totaling $1.4 billion. Our unused capacity under these credit facilities and credit lines was $1.0 billion. These facilities and lines are generally at prevailing market rates. We pay commitment fees on the unused portion of the facilities.

Average borrowings under credit facilities and credit lines were $541.7 million, $349.4 million, $105.4 million, $99.8 million and $81.6 million at average interest rates of 3.0%, 3.0%, 5.2%, 4.9% and 4.8% during the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. Maximum borrowings were $759.3 million, $719.3 million, $229.9 million, $245.3 million and $256.9 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. Total outstanding borrowings were $314.1 million as of December 29, 2013, $82.3 million as of April 28, 2013 and $64.9 million as of April 29, 2012 with average interest rates of 2.8%, 4.4% and 5.7%, respectively.

Rabobank Term Loan

In August 2012, we amended our $200.0 million term loan with Rabobank (the Rabobank Term Loan). As a result of the amended agreement, our maturity date was extended from June 2016 to May 2018 and the interest rate increased to an annual rate equal to LIBOR plus 4%, or at our election, a base rate plus 3%.

The amended agreement contains affirmative and negative covenants that, among other things, limit or restrict our ability to create liens and encumbrances; incur debt; make acquisitions and investments; dispose of or transfer assets; pay dividends or make other payments in respect of our stock; in each case, subject to certain qualifications and exceptions that are generally consistent with the terms and conditions of the 2022 Notes. In addition, the amended agreement contains a financial covenant requiring us to maintain a minimum interest coverage ratio (ratio of consolidated EBITDA to consolidated interest expense) of not less than 1.75 to 1.0 commencing with our third quarter of fiscal 2013.

Convertible Notes

In July 2008, we issued $400 million aggregate principal amount of 4% convertible senior notes due June 30, 2013 (the Convertible Notes) in a registered offering. The Convertible Notes were senior unsecured obligations. The Convertible Notes were payable with cash and, at certain times, were convertible into shares of our common stock based on an initial conversion rate, subject to adjustment, of 44.082 shares per $1,000 principal amount of Convertible Notes (which represents an initial conversion price of approximately $22.68 per share). Upon conversion, a holder would receive cash up to the principal amount of the Convertible Notes and shares of our common stock for the remainder, if any, of the conversion obligation.

On April 1, 2013, holders obtained the ability to convert their Convertible Notes at any time prior to the close of business on the third scheduled trading day immediately preceding the maturity date.

On the date of issuance of the Convertible Notes, our nonconvertible debt borrowing rate was determined to be 10.2%. Based on that rate of interest, the equity component of the Convertible Notes was determined to be $95.8 million.

In connection with the issuance of the Convertible Notes, we entered into separate convertible note hedge transactions with respect to our common stock to reduce potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions (collectively referred to as the Call Spread Transactions). We purchased call options that permitted us to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment, which is the number of shares initially issuable upon conversion of the Convertible Notes. In addition, we sold warrants permitting the purchasers to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment. See Note 11—Equity for more information on the Call Spread Transactions.

In July 2013, we repaid the outstanding principal amount on our Convertible Notes totaling $400.0 million. As part of the settlement of the Convertible Notes, we delivered 3,894,476 shares of our common stock to the holders of the notes. Simultaneously, we exercised a call option, which we entered into in connection with the original issuance of the Convertible Notes, entitling us to receive 3,894,510 shares from the counter-parties. As a result, we retired 34 net shares of our common stock upon the settlement of the Convertible Notes.

In October 2013, we paid $79.4 million to holders of the warrants to unwind the contracts due to the change of control related to the Merger.

NOTE 8: LEASE OBLIGATIONS, COMMITMENTS AND GUARANTEES

Lease Obligations

We lease facilities and equipment under non-cancelable operating leases. The terms of each lease agreement vary and may contain renewal or purchase options. Rental payments under operating leases are charged to expense on the straight-line basis over the period of the lease. Rental expense under operating leases of real estate, machinery, vehicles and other equipment was $11.7 million, $19.2 million, $47.1 million, $46.5 million and $42.3 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Future rental commitments under non-cancelable operating leases as of December 29, 2013 are as follows:

Fiscal Year	*(in millions)*
2014	$ 41.6
2015	30.3
2016	23.2
2017	17.7
2018	15.7
Thereafter	30.9
Total	$ 159.4

As of December 29, 2013, future minimum lease payments under capital leases were approximately $26.2 million. The present value of the future minimum lease payments was $25.8 million. The long-term portion of capital lease obligations was $24.6 million, $25.2 million and $26.1 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively, and the current portion was $1.2 million, $1.0 million and $1.0 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively.

Commitments

We have agreements, expiring through fiscal 2022, to use cold storage warehouses owned by partnerships, of which we are 50% partners. We have agreed to pay prevailing competitive rates for use of the facilities, subject to aggregate guaranteed minimum annual fees. In the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we paid $4.5 million, $7.4 million, $16.6 million, $14.0 million and $18.2 million, respectively, in fees for use of the facilities. We had investments in the partnerships of $3.0 million as of December 29, 2013, $2.6 million as of April 28, 2013 and $2.2 million as of April 29, 2012, respectively.

We have purchase commitments with certain livestock producers that obligate us to purchase all the livestock that these producers deliver. Other arrangements obligate us to purchase a fixed amount of livestock. We also use independent farmers and their facilities to raise hogs produced from our breeding stock in exchange for a performance-based service fee payable upon delivery. We estimate the future obligations under these commitments based on available commodity livestock futures prices and internal projections about future hog prices, expected quantities delivered and anticipated performance. Our estimated future obligations under these commitments are as follows:

Fiscal Year	*(in millions)*
2014	$1,987.7
2015	1,451.3
2016	1,113.6
2017	996.7
2018	957.5

As of December 29, 2013, we were also committed to purchase approximately $309.5 million, under forward grain contracts payable in fiscal 2014.

We had $20.6 million of committed funds related to approved capital expenditure projects as of December 29, 2013. These projects are expected to be funded with cash flows from operations and/or borrowings under credit facilities.

Guarantees

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated balance sheets as of December 29, 2013. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

As of December 29, 2013, we continue to guarantee $9.5 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. Some of these lease guarantees may be released in the near future and others may remain in place until the leases expire through February 2022.

NOTE 9: INCOME TAXES

Income tax expense consists of the following:

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)			
Current income tax expense:					
Federal	$ 0.2	$ 13.8	$ 39.8	$ 72.7	$ 57.6
State	0.9	0.1	6.1	8.4	17.2
Foreign	0.2	2.5	5.5	1.1	3.1
	1.3	16.4	51.4	82.2	77.9
Deferred income tax expense (benefit):					
Federal	7.4	7.1	(2.6)	82.1	128.3
State	1.7	(11.4)	(10.5)	11.2	24.2
Foreign	5.4	0.6	7.8	(3.1)	5.7
	14.5	(3.7)	(5.3)	90.2	158.2
Total income tax expense	$ 15.8	$ 12.7	$ 46.1	$ 172.4	$ 236.1

A reconciliation of taxes computed at the federal statutory rate to the provision for income taxes is as follows:

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Federal income taxes at statutory rate	35.0%	35.0%	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.8	(10.6)	(0.2)	2.1	3.4
Foreign income taxes	16.4	10.4	(1.7)	(0.2)	(1.2)
Unremitted earnings	—	—	—	2.6	—
Net change in uncertain tax positions	(1.8)	(1.3)	0.6	(2.4)	(0.3)
Net change in valuation allowance	(20.1)	(10.1)	(4.8)	(0.9)	(3.4)
Tax credits	(4.5)	(6.5)	(5.7)	(1.0)	(1.1)
Manufacturer's deduction	(0.6)	(0.2)	(1.5)	(1.7)	(1.8)
Adjustment to goodwill	—	—	—	—	2.0
Other	3.1	3.0	(1.6)	(1.2)	(1.4)
Effective tax rate	31.3%	19.7%	20.1%	32.3%	31.2%

The unremitted earnings impact to the effective tax rate in fiscal 2012 resulted primarily from the CFG Consolidation Plan.

We had income taxes receivable of $36.7 million, $79.4 million and $101.7 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively, in prepaid expenses and other current assets.

The tax effects of temporary differences consist of the following:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Deferred tax assets:			
Pension and other retirement liabilities	$ 160.8	$ 272.4	$ 256.4
Tax credits, carryforwards and net operating losses	68.0	77.3	85.6
Accrued expenses and other current liabilities	49.8	32.2	53.2
Derivatives	28.8	—	—
Employee benefits	26.6	17.3	—
Other	28.3	10.2	30.8
	362.3	409.4	426.0
Valuation allowance	(42.3)	(43.5)	(54.6)
Total deferred tax assets	$ 320.0	$ 365.9	$ 371.4
Deferred tax liabilities:			
Property, plant and equipment	$ 518.1	$ 371.9	$ 385.6
Intangible assets	415.7	134.3	125.8
Derivatives	—	1.5	31.9
Employee benefits	—	—	13.7
Investments in subsidiaries	65.6	44.1	44.6
Total deferred tax liabilities	$ 999.4	$ 551.8	$ 601.6

The following table presents the classification of deferred taxes in our balance sheets as of December 29, 2013, April 28, 2013 and April 29, 2012:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Prepaids and other current assets	$ 66.5	$ 19.9	$ 57.4
Other assets	—	—	3.2
Deferred income taxes, net	745.9	205.8	290.8

Management makes an assessment to determine if its deferred tax assets are more likely than not to be realized. Valuation allowances are established in the event that management believes the related tax benefits will not be realized. The valuation allowance primarily relates to state credits, state net operating loss carryforwards and losses in foreign jurisdictions for which no tax benefit was recognized. During the Successor Period, the valuation allowance increased by $4.6 million which is primarily the net of purchase price allocations related to the Merger and the utilization of tax losses in foreign jurisdictions. During the Predecessor Period, the valuation allowance decreased by $5.8 million resulting primarily from the utilization of tax losses in foreign jurisdictions.

The tax credits, carryforwards and net operating losses expire from fiscal 2014 to 2033.

There were foreign subsidiary net earnings that were considered permanently reinvested of $17.0 million, $149.5 million and $123.6 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested. Included in the deferred tax liability for investments in subsidiaries are amounts that may potentially reverse in the near future because of a proposed restructuring.

A reconciliation of the beginning and ending liability for unrecognized tax benefits is as follows:

	(in millions)
Balance, May 1, 2011	$ 33.6
Additions for tax positions taken in the current year	2.4
Additions for tax positions taken in prior years	(10.8)
Settlements with taxing authorities	(9.3)
Lapse of statute of limitations	(0.6)
Balance, April 29, 2012	15.3
Additions for tax positions taken in the current year	3.9
Reduction for tax positions taken in prior years	(1.8)
Settlements with taxing authorities	(1.0)
Lapse of statute of limitations	(0.7)
Balance, April 28, 2013	15.7
Additions for tax positions taken in the current year	1.6
Reduction for tax positions taken in prior years	(0.2)
Settlements with taxing authorities	(2.1)
Lapse of statute of limitations	(1.1)
Balance, December 29, 2013	$ 13.9

We operate in multiple taxing jurisdictions, both within the U.S. and outside of the U.S., and are subject to examination from various tax authorities. The liability for unrecognized tax benefits included $4.5 million, $5.1 million and $4.7 million of accrued interest as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively. We recognized $0.5 million of net interest income during the Transition Period, $0.4 million of net interest expense during fiscal year ended April 28, 2013 and $3.5 million and $0.1 million of net interest income during fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively, in income tax expense. The liability for unrecognized tax benefits included $13.3 million as of December 29, 2013, $14.9 million as of April 28, 2013 and $14.1 million as of April 29, 2012, that if recognized, would impact the effective tax rate.

We are currently being audited in several tax jurisdictions and remain subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, we may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. We have concluded all U.S. federal income tax matters through fiscal 2013. We are currently under U.S federal examination for the tax year ended December 29, 2013.

Based upon the expiration of statutes of limitations and/or the conclusion of tax examinations in several jurisdictions as of December 29, 2013, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by up to $2.2 million within twelve months of December 29, 2013.

Beginning with the Successor Period, the Company, with its respective subsidiaries, is included in its U.S. parent company's consolidated federal income tax group and consolidated income tax return. The members of the consolidated group have elected to allocate income taxes among the members of the group by the separate return method, under which the parent company credits the subsidiary for income tax reductions resulting from the subsidiary's inclusion in the consolidated return, or the parent company charges the subsidiary for its allocated share of the consolidated income tax liability.

NOTE 10: PENSION AND OTHER RETIREMENT BENEFIT PLANS

Company Sponsored Defined Benefit Pension Plans

We provide the majority of our U.S. employees with pension benefits. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

The following table presents a reconciliation of the pension benefit obligation, plan assets and the funded status of these pension plans.

	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 1,813.2	$ 1,610.6	$ 1,329.9
Service cost	32.4	47.2	37.4
Interest cost	54.4	74.8	75.9
Benefits paid [1]	(66.6)	(65.9)	(63.2)
Remeasurement at the Merger Date	(189.8)	—	—
Actuarial loss	9.2	146.1	229.1
Other	0.2	0.4	1.5
Benefit obligation at end of year	1,653.0	1,813.2	1,610.6
Change in plan assets: [2]			
Fair value of plan assets at beginning of year	1,110.6	1,023.5	956.4
Actual return on plan assets	34.7	131.5	(16.0)
Employer contributions	18.8	17.7	142.8
Benefits paid [1]	(42.1)	(62.0)	(59.7)
Other	0.8	(0.1)	—
Fair value of plan assets at end of year	1,122.8	1,110.6	1,023.5
Funded status	$ (530.2)	$ (702.6)	$ (587.1)
Amounts recognized in the consolidated balance sheet:			
Net long-term pension liability	$ (504.4)	$ (697.0)	$ (581.9)
Accrued expenses and other current liabilities	(25.8)	(5.6)	(5.2)
Net amount recognized at end of year	$ (530.2)	$ (702.6)	$ (587.1)

(1) Benefit payments for our defined benefit pension plans during the Successor Period and Predecessor Period were $39.4 million and $27.2 million, respectively. Benefit payments for our qualified defined benefit pension plans during the Successor Period and Predecessor Period were $16.1 million and $26.0 million, respectively.

(2) Excludes the assets and related activity of our non-qualified defined benefit pension plans. The fair value of assets related to our non-qualified plans was $124.1 million, $121.0 million and $107.1 million as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively. We made no cash contributions to our non-qualified plans in the Transition Period, fiscal year ended April 28, 2013 and fiscal year ended April 29, 2012. Benefits paid for our non-qualified plans were $23.3 million, $1.2 million, $3.9 million and $3.5 million for the Successor Period, Predecessor Period, fiscal year ended April 28, 2013 and fiscal year ended April 29, 2012, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $1.6 billion, $1.7 billion and $1.5 billion as of December 29, 2013, April 28, 2013 and April 29, 2012, respectively. The accumulated benefit obligation for all of our defined benefit pension plans exceeded the fair value of plan assets for all periods presented.

The following table shows the pre-tax unrecognized items included as components of accumulated other comprehensive income (loss) related to our defined benefit pension plans as of the dates indicated.

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
	(in millions)		
Unrecognized actuarial gain (loss)	$ 20.9	$ (704.9)	$ (665.4)
Unrecognized prior service credit	—	3.2	4.7

No actuarial gains or losses or prior service costs or credits are expected to be recognized in net periodic pension cost in fiscal 2014.

The following table presents the components of the net periodic pension costs for the periods indicated:

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)				
Service cost	$ 9.8	$ 22.6	$ 47.2	$ 37.4	$ 37.0
Interest cost	21.6	32.8	74.8	75.9	74.9
Expected return on plan assets	(19.5)	(35.4)	(78.8)	(79.6)	(63.9)
Net amortization	—	24.8	52.9	23.5	34.0
Net periodic pension cost	$ 11.9	$ 44.8	$ 96.1	$ 57.2	$ 82.0

The following table shows our weighted average assumptions for the periods indicated.

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Discount rate to determine net periodic benefit cost	5.30%	4.45%	4.75%	5.85%	6.00%
Discount rate to determine benefit obligation	5.25	5.30	4.45	4.75	5.85
Expected long-term rate of return on plan assets	7.25	7.25	7.75	7.75	8.00
Rate of compensation increase	4.00	4.00	4.00	4.00	4.00

We use an independent third-party actuary to assist in the determination of assumptions used and the measurement of our pension obligation and related costs. We review and select the discount rate to be used in connection with our pension obligation annually. In determining the discount rate, we used a hypothetical model that used the yield on corporate bonds (rated AA or better) that coincides with the cash flows of the plans' estimated benefit payouts. The model uses a yield curve approach to discount each cash flow of the liability stream at an interest rate specifically applicable to the timing of each respective cash flow. Using imputed interest rates, the model sums the present value of each cash flow stream to calculate an equivalent weighted average discount rate. We use this resulting weighted average discount rate to determine our final discount rate.

To determine the expected long-term return on plan assets, we consider the current and anticipated asset allocations, as well as historical and estimated returns on various categories of plan assets. Long-term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary polices in order to assess the capital market assumptions. Over the 5-year period ended December 29, 2013, April 28, 2013 and April 29, 2012, the average rate of return on plan assets was approximately 12.11%, 4.01% and 1.40%, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. Our investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. 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 our plan trustees.

The following table presents the fair value of our qualified pension plan assets by major asset category as of December 29, 2013, April 28, 2013 and April 29, 2012. The allocation of our pension plan assets is based on the target range presented in the following table.

	Successor	Predecessor		
	December 29, 2013	April 28, 2013	April 29, 2012	Target Range
	(in millions)			
Asset category:				
Cash and cash equivalents, net of unsettled transactions	$ 60.0	$ 45.3	$ 24.7	0-4%
Equity securities	455.7	411.3	427.0	30-50%
Debt securities	512.4	555.6	495.2	35-55%
Alternative assets	94.7	98.4	76.6	5-20%
Total	$ 1,122.8	$ 1,110.6	$ 1,023.5	

See Note 12—Fair Value Measurements for additional information about the fair value of our pension assets.

As of April 28, 2013 and April 29, 2012, the amount of our common stock included in plan assets was 2,054,344 and 4,154,344 shares, respectively, with market values of $53.3 million and $88.2 million, respectively. As a result of the Merger, all of our common stock was converted to cash; therefore, as of December 29, 2013, none of our common stock was included in plan assets.

We generally contribute the minimum amount required under government regulations to our qualified pension plans, plus amounts necessary to maintain an 80% funded status in order to avoid benefit restrictions under the Pension Protection Act. Our expected funding requirement in fiscal 2014 is approximately $115.1 million.

Expected future benefit payments for our defined benefit pension plans are as follows:

	(in millions)
Fiscal Year	
2014	$ 96.2
2015	99.7
2016	103.5
2017	107.7
2018	90.7
2019-2023	510.0

Multiemployer Defined Benefit Pension Plans

In addition to our Company sponsored defined benefit pension plans, we contribute to several multiemployer defined benefit pension plans under collective bargaining agreements that cover certain of our union-represented employees. The risks of participating in such plans are different from the risks of single-employer plans, in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan may be borne by the remaining participating employers.
- If we were to withdraw from a multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan and on the history of our participation in the plan prior to withdrawal. This is referred to as a withdrawal liability.

Each multiemployer plan in which we participate has a certified zone status as currently defined by the Pension Protection Act of 2006. The zone status is based on information provided to us and other participating employers by each plan and is certified by the plan's actuary. The following are descriptions of the zone status types based on criteria established under the Internal Revenue Code (IRC):

- *"Red" Zone*—Plan has been determined to be in "critical status" and is generally less than 65% funded. A rehabilitation plan, as required under the IRC, must be adopted by plans in the "red" zone. Plan participants may be responsible for the payment of surcharges, in addition to the contribution rate specified in the applicable collective bargaining agreement, for a plan in "critical status," in accordance with the requirements of the IRC.
- *"Yellow" Zone*—Plan has been determined to be in "endangered status" and is generally less than 80% funded. A funding improvement plan, as required under the IRC, must be adopted.
- *"Green" Zone*—Plan has been determined to be neither in "critical status" nor in "endangered status," and is generally at least 80% funded.

All plans in which we participate were in the "green" zone for the two most recent benefit plan years that have been certified.

The following table summarizes our contributions to multiemployer plans [1].

Plan	EIN/PN [2]	April 29-December 29, 2013	Fiscal Year Ended April 28, 2013	Fiscal Year Ended April 29, 2012	Fiscal Year Ended May 1, 2011	Expiration Dates of Collective Bargaining Agreements
		(in millions)				
United Food and Commercial Workers International Union Industry Pension Fund	51-6055922/001	$ 0.9	$ 1.2	$ 1.1	$ 1.4	Multiple [3]
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/001	0.1	0.2	0.2	0.2	October 2018
IAM National Pension Fund National Pension Plan	51-6031295/002	0.1	0.1	0.1	0.1	February 2014
Total contributions to multiemployer plans		$ 1.1	$ 1.5	$ 1.4	$ 1.7	

(1) Contributions represent the amounts we contributed to the plans during the fiscal periods ending in the specified year. Our contributions to each plan did not exceed 5% of total plan contributions for any plan year presented.

(2) Represents the Employer Identification Number and the three-digit plan number assigned to a plan by the Internal Revenue Service.

(3) We have multiple collective bargaining agreements associated with the United Food and Commercial Workers International Union Industry Pension Fund. These agreements are currently scheduled to expire in October 2015, May 2016, January 2018 and December 2018.

Other Employee Benefit Plans

We sponsor defined contribution pension plans (401(k) plans) covering substantially all U.S. employees. Our contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were $4.1 million, $8.0 million, $15.0 million, $13.9 million and $13.9 million in the Successor Period, Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

We also provide health care and life insurance benefits for certain retired employees. These plans are unfunded and generally pay covered costs reduced by retiree premium contributions, co-payments and deductibles. We retain the right to modify or eliminate these benefits. We consider disclosures related to these plans immaterial to the consolidated financial statements and related notes.

NOTE 11: EQUITY

Common Stock

Upon completion of the Merger, all outstanding shares of Smithfield were cancelled and the Company's shareholders received the Merger Consideration for each share of common stock held prior to the effective time of the Merger.

As a result of the Merger, all of the outstanding shares of Merger Sub were converted into 1,000 shares of common stock of the Company, no par value, and such shares are owned by a wholly-owned subsidiary of WH Group. There are no other shares of stock outstanding in the Company. See Note 2—Merger and Acquisitions for further information on the Merger.

Common Stock Repurchases

During fiscal 2013, we repurchased 19,068,079 shares of our common stock for $386.4 million, including related fees. The price of the repurchased shares was allocated among common stock, additional paid-in capital and retained earnings in our consolidated condensed balance sheet in accordance with applicable accounting guidance.

From June 2011 through the Merger Date, we repurchased 28,244,783 shares of our common stock for $575.9 million, including related commissions, at an average price of $20.38.

Preferred Stock

Prior to the Merger, we had 1,000,000 shares of $1.00 par value preferred stock authorized, none of which were issued. The board of directors was authorized to issue preferred stock in series and to fix, by resolution, the designation, dividend rate, redemption provisions, liquidation rights, sinking fund provisions, conversion rights and voting rights of each series of preferred stock. As a result of the Merger, we no longer have authorized shares of preferred stock.

Stock-Based Compensation

During fiscal 2009, we adopted the 2008 Incentive Compensation Plan (the Incentive Plan), which replaced the 1998 Stock Incentive Plan and provided for the issuance of non-statutory stock options and other awards to employees, non-employee directors and consultants.

Upon completion of the Merger, all then-outstanding stock-based compensation awards, whether vested or unvested, were converted into the right to receive the Merger Consideration, less the exercise price of such awards, if any. As a result, we made aggregate cash payments totaling $82.1 million to plan participants following the Merger, which were included as a component of the purchase price consideration. The Incentive Plan was discontinued as a result of the Merger.

Stock Options

Under the Incentive Plan, we granted options for periods not exceeding 10 years, which either cliff vested five years after the date of grant or vested ratably over a three-year period with an exercise price of not less than 100% of the fair market value of the common stock on the date of grant. Compensation expense for stock options was $1.2 million, $4.9 million, $6.1 million and $3.8 million for the Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. The related income tax benefits recognized were $0.4 million, $1.8 million, $2.4 million and $1.5 million, for the Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. There was no compensation expense capitalized as part of inventory or fixed assets during the fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. The expected annual volatility was based on the historical volatility of our stock and other factors. We used historical data to estimate option exercises and employee termination within the pricing model. The expected term of options granted represented the period of time that options were expected to be outstanding. The following table summarizes the assumptions made in determining the fair value of stock options granted in the fiscal years indicated:

	Fiscal Year Ended		
	April 28, 2013	**April 29, 2012**	**May 1, 2011**
Expected annual volatility	57%	55%	54%
Dividend yield	—%	—%	—%
Risk free interest rate	0.52%	1.11%	1.62%
Expected option life (years)	4	4	4

No stock options were granted during the Predecessor Period. The options granted in the fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011 were valued in separate tranches according to the expected life of each tranche. The above table reflects the weighted average risk free interest rate and expected option life of each tranche. The expected dividend yield was the same for all options granted in the fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011. We have never paid a cash dividend on our common stock.

The following table summarizes stock option activity under the Incentive Plan during the Predecessor Period:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value**
				(in millions)
Outstanding as of April 28, 2013	2,858,153	$ 22.34		
Exercised	(139,040)	$ 22.54		
Forfeited	(6,000)	$ 21.09		
Outstanding as of September 26, 2013 [1]	2,713,113	$ 22.33	3.9	$31.6
Exercisable as of September 26, 2013	2,226,459	$ 22.55	3.6	$25.4

(1) All options were canceled upon the Merger and the holders received cash of $34.00 per share, less the exercise price of the options.

The weighted average grant-date fair value of options granted during the fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011 was $8.92, $9.36 and $6.61, respectively. The total intrinsic value of options exercised during the fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011 was $2.4 million, $0.9 million and $0.4 million, respectively.

Performance Share Units

The Incentive Plan also provided for the issuance of performance share units (PSU) to reward employees for the achievement of performance goals. We granted PSUs that contained performance conditions, which required the achievement of specified financial and/or operational performance metrics. We also granted PSUs that contained market conditions, which

required the achievement of certain stock price targets or the achievement of specified levels of shareholder return relative to other companies in our industry. PSUs generally vested over a required employee service period, which typically ranged from one to five years and closely matched the performance period. Each performance share unit represented and had a value equal to one share of our common stock. Payment of vested performance share units was generally in our common stock.

PSUs containing performance conditions were generally measured at fair value as if they were vested and issued on the grant date. The fair value of PSUs containing market conditions was estimated using a Monte Carlo simulation model, which simulated a range of possible future stock prices after incorporating assumptions about risk free rates, volatility and other relevant assumptions pertinent to the specific awards. The grant date fair value of performance share units was recognized as compensation expense over the requisite employee service period.

The following table summarizes performance share unit activity under the Incentive Plan during the Predecessor Period. The number of awards granted and outstanding reflects the maximum number of share units that may vest under the awards.

	Number of Share Units
Outstanding as of April 28, 2013	1,212,567
Granted	519,000
Vested and issued	(377,933)
Forfeited	(85,634)
Outstanding as of September 26, 2013 [(1)]	1,268,000

(1) All PSUs fully vested upon the Merger and the holders received $34.00 per unit.

The weighted average grant date fair value for PSUs granted in the Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, was $33.70, $21.03, $20.63 and $17.57 per share unit, respectively. The total intrinsic value of PSUs converted into shares of our common stock and issued in the Predecessor Period, fiscal year ended April 28, 2013 and the fiscal year ended April 29, 2012 was $12.2 million, $10.9 million and $15.2 million, respectively. No PSUs were converted into shares of our common stock in the fiscal year ended May 1, 2011. Compensation expense for performance share units was $5.3 million, $8.1 million, $8.3 million and $7.5 million in the Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively. The related income tax benefits recognized were $1.9 million, $3.0 million, $3.2 million and $2.9 million for the Predecessor Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

Executive Stock Purchase Plan (ESPP)

As part of the Incentive Plan, we maintained a non-qualified deferred compensation plan that permitted executive officers to voluntarily defer up to 25% of the payouts under their annual cash incentive awards in exchange for a performance award payable in the form of Company stock at such time in the future as elected by the officers, but not less than three years from the end of the performance period. As a result of the Merger, the Company will provide a 100% match to the officers' deferral in the form of cash, instead of restricted stock as prescribed under the Incentive Plan. The match is subject to three-year cliff vesting and will be forfeited if the officer voluntarily terminates employment before vesting.

The fair value of these restricted stock awards was generally measured as if they were vested and issued on the grant date. We granted 139,730 and 450,241 restricted stock units in the Predecessor Period and the fiscal year ended April 28, 2013, including the company match. There were no restricted stock units outstanding as of April 29, 2012. On the Merger Date, these units were converted into the right to receive cash and paid as merger consideration and/or deferred based on the payment option elected and the continuation of the match vesting period. The deferred amount of $6.5 million is included in other liabilities on the consolidated balance sheet and will be paid to participants as originally scheduled under the ESPP. This amount was included as a component of the purchase price consideration.

We recognized compensation expense of $0.8 million, $3.5 million and $4.9 million in the Predecessor Period, fiscal year ended April 28, 2013 and fiscal year ended April 29, 2012, respectively, related to restricted stock awards under the ESPP.

Call Spread Transactions

In connection with the issuance of the Convertible Notes (see Note 7—Debt), we entered into separate convertible note hedge transactions with respect to our common stock to minimize the impact of potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions.

We purchased call options in private transactions that permitted us to acquire up to approximately 17.6 million shares of our common stock at an initial strike price of $22.68 per share, subject to adjustment, for $88.2 million. In general, the call options allowed us to acquire a number of shares of our common stock initially equal to the number of shares of common stock issuable to the holders of the Convertible Notes upon conversion. These call options terminated upon the maturity of the Convertible Notes.

We also sold warrants in private transactions for total proceeds of approximately $36.7 million. The warrants permitted the purchasers to acquire up to approximately 17.6 million shares of our common stock at an initial exercise price of $30.54 per share, subject to adjustment.

In July 2013, we repaid the outstanding principal amount on our Convertible Notes totaling $400.0 million. As part of the settlement of the Convertible Notes, we delivered 3,894,476 shares of our common stock to the holders of the notes. Simultaneously, we exercised a call option, which we entered into in connection with the original issuance of the Convertible Notes, entitling us to receive 3,894,510 shares from the counter-parties. As a result, we retired 34 net shares of our common stock upon the settlement of the Convertible Notes.

In October 2013, we paid $79.4 million to holders of the warrants to unwind the contracts due to the change of control related to the Merger.

Stock Held in Trust

We maintain a non-qualified defined Supplemental Pension Plan (the Supplemental Plan) the purpose of which is to provide supplemental retirement income benefits for those eligible employees whose benefits under the tax-qualified plans are subject to statutory limitations. A grantor trust has been established for the purpose of satisfying the obligations under the plan. As of April 28, 2013, the Supplemental Plan held 2,616,687 shares of our common stock at an average cost of $23.75. The shares held by the Supplemental Plan were converted to cash as a result of the Merger.

As part of the Incentive Plan director fee deferral program, we purchased shares of our common stock on the open market for the benefit of the plan's participants. These shares were held in a rabbi trust until transferred to the participants. As of April 28, 2013, the rabbi trust held 330,180 shares of our common stock at an average cost of $20.17. The shares held by the rabbi trust were converted to cash as a result of the Merger.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of the following:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Foreign currency translation	$ 27.3	$ (170.5)	$ (159.4)
Pension accounting	14.6	(427.9)	(402.7)
Hedge accounting	(2.9)	(17.8)	51.2
Accumulated other comprehensive income (loss)	$ 39.0	$ (616.2)	$ (510.9)

Other Comprehensive Income (Loss)

The following tables present changes in the accumulated balances for each component of other comprehensive income (loss) and the related effects on net income of amounts reclassified out of other comprehensive income (loss).

	Successor			Predecessor		
	September 27-December 29, 2013			April 29-September 26, 2013		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
			(in millions)			
Foreign currency translation:						
Translation adjustment arising during the period	$ 29.6	$ (2.3)	$ 27.3	$ 23.3	$ (6.4)	$ 16.9
Pension accounting:						
Amortization of actuarial gains and prior service credits reclassified to cost of sales	8.5	(3.3)	5.2	7.4	(2.9)	4.5
Amortization of actuarial gains and prior service credits reclassified to SG&A	15.2	(5.8)	9.4	17.4	(6.8)	10.6
Hedge accounting:						
Losses arising during the period	(2.3)	0.9	(1.4)	(26.6)	10.3	(16.3)
Gains reclassified to sales	(3.0)	1.2	(1.8)	(5.9)	2.3	(3.6)
(Gains) losses reclassified to cost of sales	0.9	(0.4)	0.5	(23.6)	9.2	(14.4)
(Gains) losses reclassified to SG&A	(0.3)	0.1	(0.2)	0.3	—	0.3
Total other comprehensive income (loss)	$ 48.6	$ (9.6)	$ 39.0	$ (7.7)	$ 5.7	$ (2.0)

	Predecessor								
	Fiscal Year Ended								
	April 28, 2013			April 29, 2012			May 1, 2011		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
	(in millions)								
Foreign currency translation:									
Translation adjustment arising during the period	$ (12.5)	$ 1.4	$ (11.1)	$(185.7)	$ 25.9	$(159.8)	$ 120.2	$ 2.9	$ 123.1
Pension accounting:									
Amortization of actuarial losses and prior service credits reclassified to cost of sales	(12.3)	4.8	(7.5)	(90.8)	35.3	(55.5)	25.9	(9.6)	16.3
Amortization of actuarial losses and prior service credits reclassified to SG&A	(28.8)	11.1	(17.7)	(211.8)	82.3	(129.5)	73.8	(27.5)	46.3
Hedge accounting:									
Gains (losses) arising during the period	53.3	(20.8)	32.5	105.6	(42.6)	63.0	144.9	(57.1)	87.8
Gains (losses) reclassified to sales	(54.9)	21.4	(33.5)	(32.3)	12.6	(19.7)	44.5	(17.3)	27.2
Gains reclassified to cost of sales	(108.4)	42.1	(66.3)	(75.1)	29.2	(45.9)	(80.7)	31.4	(49.3)
(Gains) losses reclassified to SG&A	(2.1)	0.4	(1.7)	4.1	(0.8)	3.3	2.6	—	2.6
Losses reclassified to interest expense	—	—	—	2.4	—	2.4	7.0	(2.7)	4.3
Total other comprehensive income (loss)	$(165.7)	$ 60.4	$(105.3)	$(483.6)	$ 141.9	$(341.7)	$ 338.2	$ (79.9)	$ 258.3

NOTE 12: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data that we believe are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

We have classified assets and liabilities measured at fair value based on the lowest level of input that is significant to the fair value measurement. For the periods presented, we had no transfers of assets or liabilities between levels within the fair value hierarchy. The timing of any such transfers would be determined at the end of each reporting period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of December 29, 2013, April 28, 2013 and April 29, 2012:

	Successor December 29, 2013			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Derivatives:				
Commodity contracts	$ 0.2	$ 4.9	$ —	$ 5.1
Foreign exchange contracts	—	1.2	—	1.2
Bond securities	19.8	—	—	19.8
Insurance contracts	—	65.8	—	65.8
Total	$ 20.0	$ 71.9	$ —	$ 91.9
Liabilities				
Derivatives:				
Commodity contracts	$ 15.1	$ 5.4	$ —	$ 20.5
Foreign exchange contracts	—	0.2	—	0.2
Total	$ 15.1	$ 5.6	$ —	$ 20.7

	Predecessor							
	April 28, 2013				April 29, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				(in millions)			
Assets								
Derivatives:								
Commodity contracts	$ 6.8	$ —	$ —	$ 6.8	$ 52.0	$ 1.3	$ —	$ 53.3
Foreign exchange contracts	—	0.8	—	0.8	—	4.3	—	4.3
Open-ended mutual funds	6.4	—	—	6.4	12.2	—	—	12.2
Insurance contracts	—	60.0	—	60.0	—	51.3	—	51.3
Total	$ 13.2	$ 60.8	$ —	$ 74.0	$ 64.2	$ 56.9	$ —	$ 121.1
Liabilities								
Derivatives:								
Commodity contracts	$ 30.5	$ 37.1	$ —	$ 67.6	$ —	$ 8.6	$ —	$ 8.6
Foreign exchange contracts	—	0.4	—	0.4	—	0.7	—	0.7
Total	$ 30.5	$ 37.5	$ —	$ 68.0	$ —	$ 9.3	$ —	$ 9.3

The following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value on a recurring basis:

- *Derivatives*—Derivatives classified within Level 1 are valued using quoted market prices. In some cases where quoted market prices are not available, we value the derivatives using market based pricing models that utilize the net present value of estimated future cash flows to calculate fair value, in which case the measurements are classified within Level 2. These valuation models make use of market-based observable inputs, including exchange traded prices and rates, yield curves, credit curves, and measures of volatility.

- *Bond securities*—Bond securities are valued at quoted market prices and are classified within Level 1.

- *Open-ended mutual funds*—Open-ended mutual funds are valued at their net asset value (NAV), which approximates fair value, and classified as Level 1.

- *Insurance contracts*—Insurance contracts are valued at their cash surrender value using the daily asset unit value (AUV) which is based on the quoted market price of the underlying securities and classified within Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. We had no significant assets or liabilities that were measured and recorded at fair value on a nonrecurring basis during the Transition Period, except for the preliminary allocation of the total purchase consideration to the estimated fair values of our assets acquired and liabilities assumed by WH Group as part of the Merger. See Note 2—Merger and Acquisitions for further information on the Merger.

Pension Plan Assets

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of December 29, 2013, April 28, 2013 and April 29, 2012:

	Successor December 29, 2013			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Cash and cash equivalents	$ 53.2	$ —	$ —	$ 53.2
Equity securities:				
Preferred stock	—	—	—	—
U.S. common stock:				
Health care	28.2	—	—	28.2
Financial services	33.4	—	—	33.4
Retail and consumer products	40.0	—	—	40.0
Energy	15.0	—	—	15.0
Information technology	42.7	—	—	42.7
Manufacturing and industrials	20.5	—	—	20.5
Telecommunications	6.5	—	—	6.5
International common stock	139.3	—	—	139.3
Mutual funds:				
International	—	95.9	—	95.9
Domestic small cap	—	34.2	—	34.2
Fixed income:				
Mutual funds	—	18.1	—	18.1
Asset-backed securities	—	15.7	—	15.7
Emerging markets securities	—	23.5	—	23.5
Corporate debt securities	—	343.1	—	343.1
Government debt securities	—	112.0	—	112.0
Alternative investments:				
Diversified investment funds	—	55.8	—	55.8
Limited partnerships	—	—	37.8	37.8
Insurance contracts	—	—	1.1	1.1
Total fair value	$ 378.8	$ 698.3	$ 38.9	1,116.0
Unsettled transactions, net				6.8
Total plan assets				$ 1,122.8

	Predecessor							
	April 28, 2013				April 29, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				(in millions)			
Cash and cash equivalents	$ 40.0	$ —	$ —	$ 40.0	$ 22.4	$ —	$ —	$ 22.4
Equity securities:								
Preferred stock	—	0.6	—	0.6	—	0.5	—	0.5
U.S. common stock:								
Health care	23.3	—	—	23.3	22.7	—	—	22.7
Financial services	25.1	—	—	25.1	21.8	—	—	21.8
Retail and consumer products	90.7	—	—	90.7	117.9	—	—	117.9
Energy	8.9	—	—	8.9	11.4	—	—	11.4
Information technology	22.0	—	—	22.0	30.8	—	—	30.8
Manufacturing and industrials	18.0	—	—	18.0	18.6	—	—	18.6
Telecommunications	6.7	—	—	6.7	9.5	—	—	9.5
International common stock	104.4	—	—	104.4	103.6	—	—	103.6
Mutual funds:								
International	—	82.8	—	82.8	—	30.1	—	30.1
Domestic small cap	—	23.2	—	23.2	—	19.8	—	19.8
Domestic large cap	—	2.2	—	2.2	—	2.5	—	2.5
Balanced	—	3.4	—	3.4	—	37.8	—	37.8
Fixed income:								
Mutual funds	—	26.0	—	26.0	—	11.3	—	11.3
Asset-backed securities	—	16.0	—	16.0	—	92.0	—	92.0
Emerging markets securities	—	16.2	—	16.2	—	—	—	—
Corporate debt securities	—	366.6	—	366.6	—	285.5	—	285.5
Government debt securities	—	130.8	—	130.8	—	106.4	—	106.4
Alternative investments:								
Diversified investment funds	—	51.2	—	51.2	—	—	—	—
Domestic options contracts	—	4.7	—	4.7	—	—	—	—
Futures contracts	—	1.2	—	1.2	—	—	—	—
Limited partnerships	—	—	40.1	40.1	—	—	75.0	75.0
Insurance contracts	—	—	1.2	1.2	—	—	1.6	1.6
Total fair value	$ 339.1	$ 724.9	$ 41.3	1,105.3	$ 358.7	$ 585.9	$ 76.6	1,021.2
Unsettled transactions, net				5.3				2.3
Total plan assets				$ 1,110.6				$ 1,023.5

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents*—Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their NAV, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities*—When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and mutual funds not actively traded.

- *Fixed income*—The fair values of fixed income instruments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these fixed income instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 fixed income instruments include mutual funds, asset-backed securities, corporate debt securities, emerging market securities and government debt securities.

- *Alternative Investments*—The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds, domestic options contracts and futures contracts.

- *Limited partnerships*—The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilizing available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts*—The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

The following table summarizes the changes in our Level 3 pension plan assets for the year-ended December 29, 2013, April 28, 2013 and April 29, 2012:

	Insurance Contracts	Limited Partnerships
	(in millions)	
Balance, May 1, 2011	$ 1.8	$ 33.6
Actual return on plan assets:		
Related to assets held at the reporting date	—	(2.7)
Related to assets sold during the period	—	1.6
Purchases, sales and settlements, net	(0.2)	42.5
Balance, April 29, 2012	1.6	75.0
Actual return on plan assets:		
Related to assets held at the reporting date	—	(10.9)
Related to assets sold during the period	—	2.4
Purchases, sales and settlements, net	(0.4)	(26.4)
Balance, April 28, 2013	1.2	40.1
Actual return on plan assets:		
Related to assets held at the reporting date	—	(10.4)
Related to assets sold during the period	—	4.0
Purchases, sales and settlements, net	(0.1)	4.1
Balance, December 29, 2013	$ 1.1	$ 37.8

Other Financial Instruments

We determine the fair value of public debt using Level 2 inputs based on quoted market prices. The carrying amount of all other debt approximates fair value as those instruments are based on variable interest rates. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of December 29, 2013, April 28, 2013 and April 29, 2012.

	Successor		Predecessor			
	December 29, 2013		April 28, 2013		April 29, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
			(in millions)			
Debt	$3,120.2	$3,020.1	$2,732.9	$2,479.1	$2,176.5	$1,937.3

The carrying amounts of cash and cash equivalents, accounts receivable, notes payable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 13: RELATED PARTY TRANSACTIONS

The following table presents amounts owed from and to related parties as of December 29, 2013, April 28, 2013 and April 29, 2012:

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
		(in millions)	
Current receivables from related parties	$ 4.2	$ 5.9	$ 6.6
Long-term receivables from related parties	—	—	—
Total receivables from related parties	$ 4.2	$ 5.9	$ 6.6
Current payables to related parties	$ 0.4	$ 9.0	$ 7.1
Long-term payables to related parties	—	—	—
Total payables to related parties	$ 0.4	$ 9.0	$ 7.1

Sales on the consolidated statement of income during the Successor Period includes $10.2 million of sales from our Pork segment to other subsidiaries of WH Group.

One of our vice presidents of our Hog Production segment holds an ownership interests in JCT LLC (JCT). JCT owns certain farms that produce hogs under contract with the Hog Production segment. During the Transition Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we paid $1.4 million, $6.2 million, $7.9 million and $7.8 million, respectively, to JCT for the production of hogs. During the Transition Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we received $0.2 million, $2.6 million, $3.1 million and $3.3 million, respectively, from JCT for reimbursement of associated farm and other support costs.

Also, multiple other vice presidents of the Hog Production segment hold ownership interests in Seacoast, LLC, Advantage Farms, LLC, Old Oak Farms LLC and Pork Partners, Inc. These companies produce and raise hogs for us under contractual arrangements that are consistent with third party grower contracts. During the Transition Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we paid service fees of $1.1 million, $1.5 million, $1.7 million and $1.9 million, respectively, to these companies. In fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we received $0.2 million, $0.4 million and $0.5 million, respectively, from these companies for reimbursement of associated farm and other support costs. We received no amounts from these companies during the Transition Period for reimbursement of associated farm and other support costs.

Wendell, Murphy, a former director of the Company, and his immediate family members hold ownership interests in multiple farms that conduct business with us. These farms either produce hogs for us or produce and sell feed ingredients to us. In fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, we paid $51.6 million, $52.2 million and $70.4 million, respectively, to these entities for hogs, feed ingredients and reimbursement of associated farm and other support costs. As a result of the Merger, Mr. Murphy is no longer a director of the Company.

We believe that the terms of the foregoing arrangements were no less favorable to us than if entered into with unaffiliated companies.

NOTE 14: REGULATION AND CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

North Carolina Nuisance Litigation

In July, August and September 2013, 25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and our wholly owned subsidiary, Murphy-Brown. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim and for a More Definite Statement in all 25 cases.

All 25 complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but not initiated any formal legal process. The Company believes that the claims are unfounded and intends to defend the suits vigorously.

Our policy for establishing accruals and disclosures for contingent liabilities is contained in Note 1-Summary of Significant Accounting Policies. We established a reserve estimating our expenses to defend against these and similar potential claims on the Successor's opening balance sheet. Consequently, expenses and other liabilities associated with these claims for subsequent periods will not affect our profits or losses unless our reserve proves to be insufficient or excessive. However, legal expenses incurred in our and our subsidiaries' defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact our cash flows and our liquidity position. Given that this matter is in its very preliminary stages and given the inherent uncertainty of the outcome for these and similar potential claims, we cannot estimate the reasonably possible loss or range of loss for these loss contingencies outside the expenses we will incur to defend against these claims. We will continue to review whether an additional accrual is necessary and whether we have the ability to estimate the reasonably possible loss or range of loss for these matters.

Fire Insurance Settlement

In July 2009 (fiscal 2010), a fire occurred at the primary manufacturing facility of our subsidiary, Patrick Cudahy, Inc. (Patrick Cudahy), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entire facility. Shortly after the fire, we resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Company and third-party facilities.

We maintain comprehensive general liability and property insurance, including business interruption insurance. In December 2010 (fiscal 2011), we reached an agreement with our insurance carriers to settle the claim for a total of $208.0 million, of which $70.0 million had been advanced to us in fiscal 2010. We allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses incurred and business interruption losses that resulted from the fire. The

remaining proceeds were recognized as an involuntary conversion gain of $120.6 million in the Corporate segment in the third quarter of fiscal 2011. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income. We also recognized $15.8 million of the insurance proceeds in fiscal 2011 in cost of sales in our Pork segment to offset business interruption losses incurred.

Of the $138.0 million in insurance proceeds received in fiscal 2011 to settle the claim, $120.6 million was classified in net cash flows from investing activities in the consolidated statements of cash flows, which represents the portion of proceeds related to destruction of the facility. The remainder of the proceeds was recorded in net cash flows from operating activities in the consolidated statements of cash flows and was attributed to business interruption recoveries and reimbursable costs covered under our insurance policy.

NOTE 15: REPORTABLE SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and assess performance. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations. Our reportable segments are: Pork, Hog Production, International, Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments. During all periods presented, our chief operating decision maker has been the President and Chief Executive Officer of the Company.

Pork Segment

The Pork segment consists mainly of our three wholly-owned U.S. fresh pork and packaged meats subsidiaries: Smithfield Packing, Farmland Foods, Inc. and John Morrell Food Group. The Pork segment produces a wide variety of fresh pork and packaged meats products in the U.S. and markets them nationwide and to numerous foreign markets, including China, Japan, Mexico, Russia and Canada. Fresh pork products include loins, butts, picnics and ribs, among others. Packaged meats products include smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dry meat products, and ready-to-eat, prepared foods such as pre-cooked entrees and pre-cooked bacon and sausage.

The following table shows the percentages of Pork segment revenues derived from packaged meats and fresh pork for the periods indicated.

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Packaged meats	59%	53%	56%	54%	56%
Fresh pork [1]	41	47	44	46	44
	100%	100%	100%	100%	100%

(1) Includes by-products and rendering.

Hog Production Segment

The Hog Production segment consists of our hog production operations located in the U.S. The Hog Production segment operates numerous facilities with approximately 894,000 sows producing about 16.2 million market hogs annually. The Hog Production segment produces approximately 53% of the Pork segment's live hog requirements. We own certain genetic lines of specialized breeding stock which are marketed using the name Smithfield Premium Genetics (SPG).

The following table shows the percentages of Hog Production segment revenues derived from hogs sold internally and externally, and other products for the periods indicated.

	Successor	Predecessor			
	September 27-December 29, 2013	April 29-September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Internal hog sales	81%	80%	76%	80%	78%
External hog sales	13	13	14	17	19
Other products [1]	6	7	10	3	3
	100%	100%	100%	100%	100%

(1) Consists primarily of grains, feed and gains (losses) on derivatives.

International Segment

The International segment includes our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. Our international meat processing operations produce a wide variety of fresh pork, beef, poultry and packaged meats products, including cooked hams, sausages, hot dogs, bacon and canned meats.

The following table shows the percentages of International segment revenues derived from packaged meats, fresh meats and hog production for the periods indicated.

	Successor	Predecessor			
	September 27-December 29, 2013	April 29-September 26, 2013	Fiscal Year Ended April 28, 2013	April 29, 2012	May 1, 2011
Packaged meats	42%	46%	49%	46%	47%
Fresh meats [1]	57	53	50	53	53
Hog production [2]	1	1	1	1	—
	100%	100%	100%	100%	100%

(1) Includes feathers, by-products and rendering.

(2) Includes external hog sales and feed.

Other Segment

The Other segment, contains the results of our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010.

Corporate Segment

The Corporate segment provides management and administrative services to support our other segments.

Segment Results

The following tables present information about the results of operations and the assets of our reportable segments for the periods presented. The information contains certain allocations of expenses that we deem reasonable and appropriate for the evaluation of results of operations. We do not allocate income taxes to segments. Segment assets exclude intersegment account balances as we believe their inclusion would be misleading or not meaningful. We believe all intersegment sales are at prices that approximate market.

	Successor September 27-December 29, 2013	**Predecessor April 29-September 26, 2013**
	(in millions)	
Segment Profit Information		
Sales:		
Segment sales—		
Pork	$ 3,316.2	$ 4,782.0
Hog Production	889.2	1,439.1
International	428.2	643.6
Total segment sales	4,633.6	6,864.7
Intersegment sales—		
Pork	(12.2)	(19.0)
Hog Production	(716.8)	(1,150.3)
International	(10.4)	(15.9)
Total intersegment sales	(739.4)	(1,185.2)
Consolidated sales	$ 3,894.2	$ 5,679.5
Depreciation and amortization:		
Pork	$ 36.3	$ 60.3
Hog Production	10.8	28.1
International	7.7	16.8
Corporate	0.6	1.3
Consolidated depreciation and amortization	$ 55.4	$ 106.5

	Successor September 27- December 29, 2013	Predecessor April 29- September 26, 2013
	(in millions)	
Interest expense (income):		
Pork	$ (0.3)	$ (0.7)
Hog Production	53.3	83.8
International	6.0	11.1
Corporate	—	(29.6)
Consolidated interest expense	$ 59.0	$ 64.6
Loss (income) from equity method investments		
Pork	$ 0.2	$ (1.5)
Hog Production	(0.1)	(0.1)
International	2.5	2.1
Consolidated loss from equity method investments	$ 2.6	$ 0.5
Operating profit (loss):		
Pork	$ 177.7	$ 98.5
Hog Production	(40.6)	81.4
International	25.4	15.9
Corporate	(51.3)	(66.6)
Consolidated operating profit	$ 111.2	$ 129.2

	Predecessor		
	Fiscal Year Ended		
	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)		
Segment Profit Information			
Sales:			
Segment sales—			
Pork	$ 11,076.1	$ 11,093.0	$ 10,263.9
Hog Production	3,135.1	3,052.6	2,705.1
International	1,468.5	1,466.7	1,340.7
Other	—	—	74.7
Total segment sales	15,679.7	15,612.3	14,384.4
Intersegment sales—			
Pork	(41.4)	(37.1)	(30.5)
Hog Production	(2,380.1)	(2,444.6)	(2,113.0)
International	(37.1)	(36.3)	(38.2)
Total intersegment sales	(2,458.6)	(2,518.0)	(2,181.7)
Consolidated sales	$ 13,221.1	$ 13,094.3	$ 12,202.7

		Predecessor	
		Fiscal Year Ended	
	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)	
Depreciation and amortization:			
Pork	$ 136.1	$ 127.8	$ 125.5
Hog Production	63.8	71.9	65.7
International	35.8	39.9	38.1
Other	—	—	0.1
Corporate	4.2	3.2	2.5
Consolidated depreciation and amortization	$ 239.9	$ 242.8	$ 231.9
Interest expense (income):			
Pork	$ (5.5)	$ 28.7	$ 42.4
Hog Production	167.0	131.8	124.5
International	28.2	29.8	28.2
Other	—	—	4.2
Corporate	(21.0)	(13.6)	46.1
Consolidated interest expense	$ 168.7	$ 176.7	$ 245.4
(Income) loss from equity method investments			
Pork	$ (1.5)	$ (2.7)	$ (2.0)
Hog Production	0.1	0.3	(0.4)
International	(13.6)	12.3	(46.5)
Other	—	—	(1.2)
Consolidated (income) loss from equity method investments	$ (15.0)	$ 9.9	$ (50.1)
Operating profit (loss):			
Pork	$ 631.6	$ 623.7	$ 753.4
Hog Production	(119.1)	166.1	224.4
International	108.2	42.8	115.9
Other	—	—	(2.4)
Corporate	(101.4)	(110.0)	3.7
Consolidated operating profit	$ 519.3	$ 722.6	$ 1,095.0

Segment Asset Information

	Successor	Predecessor		
	December 29, 2013	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)		
Total assets:				
Pork	$ 2,242.8	$ 2,291.3	$ 2,245.6	$ 2,620.2
Hog Production	2,132.6	2,299.2	2,145.4	2,074.2
International	1,639.7	1,703.1	1,651.4	1,902.3
Corporate	2,317.2	1,422.8	1,379.8	1,015.1
Unallocated goodwill [1]	1,622.5	—	—	—
Consolidated total assets	$ 9,954.8	$ 7,716.4	$ 7,422.2	$ 7,611.8
Investments:				
Pork	$ 19.7	$ 18.9	$ 18.6	$ 17.4
Hog Production	3.3	3.1	2.6	2.7
International	473.3	510.2	501.2	562.1
Corporate	0.2	0.2	0.2	0.3
Consolidated investments	$ 496.5	$ 532.4	$ 522.6	$ 582.5

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
			(in millions)		
Capital expenditures:					
Pork	$ 27.1	$ 80.0	$ 156.9	$ 143.5	$ 81.3
Hog Production	37.4	51.6	90.0	89.4	68.6
International	5.3	7.6	24.8	26.5	26.8
Corporate	0.1	0.6	6.3	31.3	0.1
Consolidated capital expenditures	$ 69.9	$ 139.8	$ 278.0	$ 290.7	$ 176.8

(1) As noted in Note 2—Merger and Acquisitions, goodwill recognized as a result of the Merger has not been allocated to our reportable segments as of December 29, 2013.

As noted in the table above, goodwill is unallocated as of December 29, 2013 as a result of the Merger. With the exception of the events noted in Note 2—Merger and Acquisitions and the effect of foreign currency translation during the Predecessor Period, there have been no changes to goodwill during the Transition Period. The following table shows the change in the carrying amount of goodwill by reportable segment for the periods noted:

	Pork	International	Hog Production	Total
		(in millions)		
Predecessor				
Balance, May 1, 2011	$ 216.1	$ 157.2	$ 420.0	$ 793.3
Other goodwill adjustments (1)	(0.4)	(24.7)	—	(25.1)
Balance, April 29, 2012	215.7	132.5	420.0	768.2
Acquisition (2)	16.4	—	—	16.4
Other goodwill adjustments (1)	(0.3)	(1.9)	—	(2.2)
Balance, April 28, 2013	$ 231.8	$ 130.6	$ 420.0	$ 782.4

(1) Other goodwill adjustments primarily include the effects of foreign currency translation.

(2) See Note 2—Merger and Acquisitions for discussion of acquisition.

The following table presents our consolidated sales attributed to operations by geographic area for the Successor Period, the Predecessor Period and for the fiscal years ended April 28, 2013, April 29, 2012 and May 1, 2011:

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
			(in millions)		
Sales:					
U.S.	$ 3,476.4	$ 5,051.8	$ 11,789.7	$ 11,663.9	$10,900.2
International	417.8	627.7	1,431.4	1,430.4	1,302.5
Total sales	$ 3,894.2	$ 5,679.5	$ 13,221.1	$ 13,094.3	$12,202.7

The following table presents our long-lived assets attributed to operations by geographic area as of December 29, 2013, April 28, 2013, April 29, 2012 and May 1, 2011:

	Successor	Predecessor		
	December 29, 2013	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)		
Long-lived assets:				
U.S.	$ 5,397.6	$ 3,032.9	$ 2,969.1	$ 2,905.7
International	1,053.1	1,131.7	1,154.1	1,368.2
Total long-lived assets	$ 6,450.7	$ 4,164.6	$ 4,123.2	$ 4,273.9

NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27-December 29, 2013	April 29-September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
			(in millions)		
Supplemental disclosures of cash flow information:					
Interest paid, including capitalized interest	$ (10.9)	$ (76.4)	$ (147.9)	$ (149.6)	$ (223.3)
Income taxes (paid) refunded, net	(0.1)	43.8	(3.7)	(225.7)	34.8

NOTE 17: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First	Second	Third	Fourth	Fiscal Year
		(in millions, except per share data)			
Fiscal 2013					
Sales	$ 3,091.3	$ 3,225.8	$ 3,583.3	$ 3,320.7	$ 13,221.1
Gross profit	332.2	377.3	328.8	281.4	1,319.7
Operating profit	131.8	178.3	136.3	72.9	519.3
Net income	61.7	10.9	81.5	29.7	183.8
Net income per share: (1)					
Basic	$ .40	$ .07	$ .58	$ .21	$ 1.26
Diluted	$ .40	$ .07	$ .58	$ .21	$ 1.26
Fiscal 2012					
Sales	$ 3,094.2	$ 3,312.6	$ 3,478.3	$ 3,209.2	$ 13,094.3
Gross profit	407.1	419.6	379.8	342.9	1,549.4
Operating profit	173.2	224.7	170.5	154.2	722.6
Net income	82.1	120.7	79.0	79.5	361.3
Net income per share: (1)					
Basic	$ .50	$ .74	$ .49	$ .50	$ 2.23
Diluted	$ .49	$ .74	$ .49	$ .49	$ 2.21

(1) Per common share amounts for the quarters and full years have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the weighted average common shares outstanding during each period.

The following significant infrequent or unusual items impacted our quarterly results in fiscal year ended April 28, 2013 and fiscal year ended April 29, 2012:

Fiscal 2013

- Net income in the second quarter included loss on debt extinguishment of $120.7 million.

Fiscal 2012

- Net income in the first, second and third quarters included losses on debt extinguishment of $1.2 million, $6.4 million and $4.6 million, respectively.

- Operating profit in the first and fourth quarters included charges of $39.0 million and a net benefit of $16.8 million, respectively, related to the Missouri litigation.

- Gross profit in the first, second and third quarters included accelerated depreciation charges associated with the idling of certain Missouri hog farm assets of $4.3 million, $3.2 million, and $0.7 million, respectively.

- Operating profit in the second, third and fourth quarters included charges associated with the planned closure of our Portsmouth facility of $1.8 million, $1.7 million, and $1.2 million, respectively.

- Operating profit in the first and second quarters included professional fees related to the potential acquisition of a controlling interest in CFG of $5.7 million and $0.7 million, respectively. In June 2011, we terminated negotiations to purchase the additional interest.

- Operating profit in the third quarter included our share of charges related to the CFG Consolidation Plan of $38.7 million.

(2) The following is an extract of the audited consolidated financial statements of Smithfield for the year in the period ended April 28, 2013, which were prepared in accordance with U.S. GAAP, from the Form10-K of Smithfield. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders of Smithfield Foods, Inc.

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of April 28, 2013 and April 29, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended April 28, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smithfield Foods, Inc. and subsidiaries at April 28, 2013 and April 29, 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 28, 2013, in conformity with US generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Smithfield Foods, Inc. and subsidiaries' internal control over financial reporting as of April 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 18, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia

June 18, 2013

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Fiscal Years		
	2013	**2012**	**2011**
Sales	$13,221.1	$13,094.3	$12,202.7
Cost of sales	11,901.4	11,544.9	10,488.6
Gross profit	1,319.7	1,549.4	1,714.1
Selling, general and administrative expenses	815.4	816.9	789.8
Gain on fire insurance recovery	—	—	(120.6)
(Income) loss from equity method investments	(15.0)	9.9	(50.1)
Operating profit	519.3	722.6	1,095.0
Interest expense	168.7	176.7	245.4
Loss on debt extinguishment	120.7	12.2	92.5
Income before income taxes	229.9	533.7	757.1
Income tax expense	46.1	172.4	236.1
Net income	$ 183.8	$ 361.3	$ 521.0
Net income per share:			
Basic	$ 1.26	$ 2.23	$ 3.14
Diluted	$ 1.26	$ 2.21	$ 3.12
Weighted average shares outstanding:			
Basic	145.5	162.3	166.0
Effect of dilutive shares	0.9	1.2	1.2
Diluted	146.4	163.5	167.2

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Fiscal Years		
	2013	**2012**	**2011**
Net income	$ 183.8	$ 361.3	$ 521.0
Other comprehensive income (loss):			
Foreign currency translation:			
Translation adjustment	(12.5)	(185.7)	120.2
Tax benefit	1.4	25.9	2.9
Pension accounting:			
Net actuarial (losses) gains	(93.9)	(326.1)	60.8
Reclassification of losses into net income	52.8	23.5	38.9
Tax benefit (expense)	15.9	117.6	(37.1)
Hedge accounting:			
Net derivative gains	53.3	105.6	144.9
Reclassification of gains into net income	(165.4)	(100.9)	(26.6)
Tax benefit (expense)	43.1	(1.6)	(45.7)
Total other comprehensive income (loss)	(105.3)	(341.7)	258.3
Total comprehensive income	$ 78.5	$ 19.6	$ 779.3

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	April 28, 2013	April 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 310.6	$ 324.3
Accounts receivable, net	663.2	624.7
Inventories	2,348.3	2,072.4
Prepaid expenses and other current assets	229.7	277.6
Total current assets	3,551.8	3,299.0
Property, plant and equipment, net	2,298.4	2,277.2
Goodwill	782.4	768.2
Investments	532.4	522.6
Intangible assets, net	390.4	381.8
Other assets	161.0	173.4
Total assets	$ 7,716.4	$ 7,422.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	676.1	63.5
Accounts payable	429.1	415.8
Accrued expenses and other current liabilities	641.0	657.0
Total current liabilities	1,746.2	1,136.3
Long-term debt and capital lease obligations	1,829.2	1,900.9
Net long-term pension liability	697.0	581.9
Other liabilities	333.6	413.1
Redeemable noncontrolling interests	12.7	2.0
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized shares	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 138,919,056 and 157,408,077 issued and outstanding	69.5	78.7
Additional paid-in capital	1,389.9	1,561.0
Stock held in trust	(68.8)	(67.9)
Retained earnings	2,322.6	2,326.4
Accumulated other comprehensive loss	(616.2)	(510.9)
Total shareholders' equity	3,097.0	3,387.3
Noncontrolling interests	0.7	0.7
Total equity	3,097.7	3,388.0
Total liabilities and shareholders' equity	$ 7,716.4	$ 7,422.2

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Years		
	2013	**2012**	**2011**
Cash flows from operating activities:			
Net income	$ 183.8	$ 361.3	$ 521.0
Adjustments to reconcile net cash flows from operating activities:			
(Income) loss from equity method investments	(15.0)	9.9	(50.1)
Depreciation and amortization	239.9	242.8	231.9
Gain on fire insurance recovery	—	—	(120.6)
Deferred income taxes	(5.3)	90.2	158.2
Impairment of assets	4.2	2.9	9.2
Pension expense	96.1	57.2	82.0
Pension contributions	(17.7)	(142.8)	(128.5)
Changes in operating assets and liabilities and other, net:			
Accounts receivable	(39.9)	47.8	(63.8)
Inventories	(273.9)	(89.8)	(178.4)
Prepaid expenses and other current assets	52.0	(68.1)	132.2
Accounts payable	14.7	2.5	36.6
Accrued expenses and other current liabilities	(15.9)	12.6	(72.6)
Other	(50.3)	43.6	59.3
Net cash flows from operating activities	172.7	570.1	616.4
Cash flows from investing activities:			
Capital expenditures	(278.0)	(290.7)	(176.8)
Business acquisition, net of cash acquired	(24.0)	—	—
Dispositions	—	—	261.5
Insurance proceeds	—	—	120.6
Net (expenditures) proceeds from breeding stock transactions	(18.4)	(2.3)	26.2
Proceeds from sale of property, plant and equipment	16.9	6.4	22.8
Other	(0.2)	—	—
Net cash flows from investing activities	(303.7)	(286.6)	254.3

	Fiscal Years		
	2013	2012	2011
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt	1,219.2	—	—
Principal payments on long-term debt and capital lease obligations	(716.5)	(152.7)	(944.5)
Net borrowings (repayments) on revolving credit facilities and notes payables	13.9	(0.3)	21.6
Repurchase of common stock	(386.4)	(189.5)	—
Net proceeds from the issuance of common stock and stock option exercises	3.1	1.3	1.2
Change in cash collateral	—	23.9	(23.9)
Debt issuance costs and other	(17.6)	(11.1)	—
Net cash flows from financing activities	115.7	(328.4)	(945.6)
Effect of foreign exchange rate changes on cash	1.6	(5.5)	(1.6)
Net change in cash and cash equivalents	(13.7)	(50.4)	(76.5)
Cash and cash equivalents at beginning of period	324.3	374.7	451.2
Cash and cash equivalents at end of period	$ 310.6	$ 324.3	$ 374.7

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock (Shares)	Common Stock (Amount)	Additional Paid-in Capital	Stock Held in Trust	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, May 2, 2010	166.0	$83.0	$1,626.9	$(65.5)	$1,538.7	$(427.5)	$2,755.6	$2.6	$2,758.2
Issuance of common stock	0.1	—	1.2	—	—	—	1.2	—	1.2
Stock compensation expense	—	—	11.3	—	—	—	11.3	—	11.3
Purchase of stock for trust	—	—	—	(1.2)	—	—	(1.2)	—	(1.2)
Other	—	—	(0.7)	—	—	—	(0.7)	0.4	(0.3)
Comprehensive income:									
Net income (loss)	—	—	—	—	521.0	—	521.0	(1.9)	519.1
Other comprehensive income, net of tax	—	—	—	—	—	258.3	258.3	—	258.3
Balance, May 1, 2011	166.1	83.0	1,638.7	(66.7)	2,059.7	(169.2)	3,545.5	1.1	3,546.6
Common stock repurchased	(9.2)	(4.6)	(90.3)	—	(94.6)	—	(189.5)	—	(189.5)
Issuance of common stock	0.5	0.3	(5.0)	—	—	—	(4.7)	—	(4.7)
Stock compensation expense	—	—	14.4	—	—	—	14.4	—	14.4
Purchase of stock for trust	—	—	—	(1.6)	—	—	(1.6)	—	(1.6)
Other	—	—	3.2	0.4	—	—	3.6	0.4	4.0
Comprehensive income:									
Net income (loss)	—	—	—	—	361.3	—	361.3	(0.8)	360.5
Other comprehensive loss, net of tax	—	—	—	—	—	(341.7)	(341.7)	—	(341.7)
Balance, April 29, 2012	157.4	78.7	1,561.0	(67.9)	2,326.4	(510.9)	3,387.3	0.7	3,388.0
Common stock repurchased	(19.1)	(9.5)	(189.3)	—	(187.6)	—	(386.4)	—	(386.4)
Issuance of common stock	0.6	0.3	(1.1)	—	—	—	(0.8)	—	(0.8)
Stock compensation expense	—	—	19.1	—	—	—	19.1	—	19.1
Purchase of stock for trust	—	—	—	(1.8)	—	—	(1.8)	—	(1.8)
Other	—	—	0.2	0.9	—	—	1.1	(0.4)	0.7
Comprehensive income:									
Net income	—	—	—	—	183.8	—	183.8	0.4	184.2
Other comprehensive loss, net of tax	—	—	—	—	—	(105.3)	(105.3)	—	(105.3)
Balance, April 28, 2013	138.9	$ 69.5	$ 1,389.9	$ (68.8)	$ 2,322.6	$ (616.2)	$ 3,097.0	$ 0.7	$ 3,097.7

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, amounts presented in these notes to our consolidated financial statements are for all fiscal periods included. Certain prior year amounts have been reclassified to conform to current year presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, as well as all majority-owned subsidiaries and other entities for which we have a controlling interest. Entities that are 50% owned or less are accounted for under the equity method when we have the ability to exercise significant influence. We use the cost method of accounting for investments in which our ability to exercise significant influence is limited. All intercompany transactions and accounts have been eliminated. Consolidating the results of operations and financial position of variable interest entities for which we are the primary beneficiary does not have a material effect on sales, net income, or net income per diluted share, or on our financial position for the fiscal periods presented.

Foreign currency denominated assets and liabilities are translated into US dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows in foreign currencies are translated into US dollars using the average exchange rate over the course of the fiscal year. The effect of exchange rate fluctuations on the translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive loss and included in other comprehensive income for each period. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in selling, general and administrative expenses as incurred. We recorded net gains on foreign currency transactions of $1.1 million in fiscal 2013 and net losses of $7.4 million and $0.4 million in fiscal 2012 and fiscal 2011, respectively.

Our Polish operations have different fiscal period end dates. As such, we have elected to consolidate the results of these operations on a one-month lag. We do not believe the impact of reporting the results of these entities on a one-month lag is material to the consolidated financial statements.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the US, which require us to make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Our fiscal year consists of 52 or 53 weeks and ends on the Sunday nearest April 30. All fiscal years included consisted of 52 weeks.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of 90 days or less to be cash equivalents. The majority of our cash is concentrated in demand deposit accounts or money market funds. The carrying value of cash equivalents approximates market value.

Accounts Receivable

Accounts receivable are recorded net of the allowance for doubtful accounts. We regularly evaluate the collectibility of our accounts receivable based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer and historical experience. Based on our evaluation, we record reserves to reduce the related receivables to amounts we reasonably believe are collectible. Our reserve for uncollectible accounts receivable was $14.6 million and $16.0 million as of April 28, 2013 and April 29, 2012, respectively.

Inventories

Inventories consist of the following:

	April 28, 2013	April 29, 2012
	(in millions)	
Livestock	$ 1,113.5	$ 962.8
Fresh and packaged meats	960.8	912.1
Grains	162.0	90.4
Manufacturing supplies	57.7	59.1
Other	54.3	48.0
Total inventories	$ 2,348.3	$ 2,072.4

Livestock are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of livestock that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh and packaged meats are valued based on USDA and other market prices and adjusted for the cost of further processing. Costs for fresh and packaged meats include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies principally consist of ingredients and packaging materials.

Derivative Financial Instruments and Hedging Activities

See Note 4—Derivative Financial Instruments for our policy.

Property, Plant and Equipment, Net

Property, plant and equipment is generally stated at historical cost, which includes the then fair values of assets acquired in business combinations, and depreciated on a straight-line basis over the estimated useful lives of the assets. Assets held under capital leases are classified in property, plant and equipment, net and amortized over the lease term. The amortization of assets held under capital leases is included in depreciation expense. The cost of assets held under capital leases was $34.0 million and $34.0 million at April 28, 2013 and April 29, 2012, respectively. The assets held under capital leases had accumulated amortization of $3.1 million and $1.7 million at April 28, 2013 and April 29, 2012, respectively. Depreciation expense is included in either cost of sales or selling, general and administrative expenses, as appropriate. Depreciation expense totaled $235.3 million, $238.6 million and $227.4 million in fiscal 2013, 2012 and 2011, respectively.

Interest is capitalized on property, plant and equipment over the construction period. Total interest capitalized was $4.8 million, $2.8 million and $1.6 million in fiscal 2013, 2012 and 2011, respectively.

Property, plant and equipment, net, consists of the following:

	Useful Life	April 28, 2013	April 29, 2012
	(in Years)	*(in millions)*	
Land and improvements	0-20	$ 276.1	$ 268.9
Buildings and improvements	20-40	1,788.6	1,690.6
Machinery and equipment	5-25	1,862.7	1,780.6
Breeding stock	2	186.7	182.1
Computer hardware and software	3-5	156.1	148.4
Other	3-10	94.4	89.1
Construction in progress		105.5	110.2
		4,470.1	4,269.9
Accumulated depreciation		(2,171.7)	(1,992.7)
Property, plant and equipment, net		$ 2,298.4	$ 2,277.2

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows.

Goodwill and indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or sooner if impairment indicators arise. In the evaluation of goodwill for impairment, we may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, a prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

The first step in the two-step impairment test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is estimated by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples is dependent upon assumptions regarding future levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. When estimating future discounted cash flows, we consider the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on an industry-wide average cost of capital or location-specific economic factors. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Based on the results of our annual goodwill impairment tests, as of our testing date, no impairment indicators were noted for all the periods presented.

The carrying amount of goodwill includes cumulative impairment losses of $6.0 million as of April 28, 2013 and April 29, 2012.

Intangible assets consist of the following:

	Useful Life (in Years)	April 28, 2013 (in millions)	April 29, 2012
Amortized intangible assets:			
Customer relations assets	15-16	$ 23.0	$ 13.3
Patents, rights and leasehold interests	5-25	14.3	11.8
Contractual relationships	22	33.1	33.1
Accumulated amortization		(25.7)	(22.6)
Amortized intangible assets, net		44.7	35.6
Non-amortized intangible assets:			
Trademarks	Indefinite	339.6	340.1
Permits	Indefinite	6.1	6.1
Intangible assets, net		$ 390.4	$ 381.8

The fair values of trademarks are calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. If the carrying value of our indefinite-lived intangible assets exceeds their fair value, an impairment loss is recognized in an amount equal to that excess. Intangible assets with finite lives are reviewed for recoverability when indicators of impairment are present using estimated future undiscounted cash flows related to those assets. We have determined that no impairments of our intangible assets existed for any of the periods presented.

Amortization expense for intangible assets was $3.1 million, $3.0 million and $3.2 million in fiscal 2013, 2012 and 2011, respectively. As of April 28, 2013, the estimated amortization expense associated with our intangible assets for each of the next five fiscal years is expected to be $3.4 million.

Debt Issuance Costs, Premiums and Discounts

Debt issuance costs, premiums and discounts are amortized into interest expense over the terms of the related loan agreements using the effective interest method or other methods which approximate the effective interest method.

Investments

See Note 5—Investments for our policy.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. We accrue interest and penalties related to unrecognized tax benefits in other liabilities and recognize the related expense in income tax expense.

Pension Accounting

We recognize the funded status of our defined benefit pension plans in the consolidated balance sheets. We also recognize in other comprehensive income, the net of tax results of the gains or losses and prior service costs or credits that arise during the period but are not recognized in net periodic benefit cost. These amounts are adjusted out of accumulated other comprehensive loss as they are subsequently recognized as components of net periodic benefit cost.

We measure our pension and other postretirement benefit plan obligations and related plan assets as of the last day of our fiscal year. The measurement of our pension obligations and related costs is dependent on the use of assumptions and estimates. These assumptions include discount rates, salary growth, mortality rates and expected returns on plan assets. Changes in assumptions and future investment returns could potentially have a material impact on our expenses and related funding requirements.

Self-Insurance Programs

We are self-insured for certain levels of general and vehicle liability, property, workers' compensation, product recall and health care coverage. The cost of these self-insurance programs is accrued based upon estimated settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current period earnings.

Contingent Liabilities

We are subject to lawsuits, investigations and other claims related to the operation of our farms, labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees.

A determination of the amount of accruals and disclosures required, if any, for these contingencies is made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is at least reasonably possible or probable.

Our contingent liabilities contain uncertainties because the eventual outcome will result from future events. Our determination of accruals and any reasonably possible losses in excess of those accruals require estimates and judgments related to future changes in facts and circumstances, interpretations of the law, the amount of damages or fees, and the effectiveness of strategies or other factors beyond our control. If actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Revenue Recognition

We recognize revenues from product sales upon delivery to customers or when title passes. Revenue is recorded at the invoice price for each product net of estimated returns and sales incentives provided to customers. Sales incentives include various rebate and trade allowance programs with our customers, primarily discounts and rebates based on achievement of specified volume or growth in volume levels.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred except for certain production costs, which are expensed upon the first airing of the advertisement. Promotional sponsorship costs are expensed as the promotional events occur. Advertising costs totaled $143.1 million, $122.9 million and $120.1 million in fiscal 2013, 2012 and 2011, respectively, and are included in selling, general and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are reported as a component of cost of sales.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $80.9 million, $75.9 million and $47.0 million in fiscal 2013, 2012 and 2011, respectively.

Net Income per Share

We present dual computations of net income per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the potentially dilutive effect of common stock equivalents, such as stock options and convertible notes, during the period. We excluded stock based awards for approximately 2.1 million, 1.7 million and 1.8 million shares in fiscal 2013, 2012 and 2011, respectively, from the diluted computation because their effect would have been anti-dilutive.

NOTE 2: ACQUISITIONS

American Skin Food Group, LLC

In September 2012 (fiscal 2013), we acquired a 70% controlling interest in American Skin Food Group, LLC (American Skin) for $24.2 million in cash, including post-closing adjustments for differences in American Skin's calendar 2012 earnings and working capital at closing from agreed-upon targets.

Located in Burgaw, North Carolina, American Skin manufactures and supplies pork rinds to the snack food industry. By leveraging our coordinated sales and marketing team, we believe American Skin can expand into new markets both domestically and internationally, which could substantially increase current sales of approximately $25 million and net income of approximately $3 million annually over the next five to seven years with minimal additional plant investment.

The acquisition of American Skin was accounted for in the Pork segment using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and noncontrolling interests in the acquiree be recognized at their fair values as of the acquisition date. The following table summarizes the fair values of the assets acquired, liabilities assumed and noncontrolling interests recognized as of the date of acquisition for American Skin:

	(in millions)
Cash and cash equivalents	$ 0.2
Accounts receivable, net	2.0
Inventories	0.7
Property, plant and equipment, net	3.4
Intangible assets, net	12.4
Goodwill	16.4
Assets acquired	35.1
Accounts payable	0.5
Liabilities assumed	0.5
Noncontrolling interests	10.4
Purchase price	$ 24.2

Intangible assets acquired include customer relationship assets, contractual rights and trademarks with fair values of $9.7 million, $2.6 million and $0.1 million, respectively. The customer relationship assets and contractual rights will be amortized over useful lives of 15 years and 12 years, respectively. The trademarks are not subject to amortization.

Goodwill was recognized to reflect the amount of the enterprise fair value that exceeded the fair value of the identifiable assets acquired and liabilities assumed. The amount of goodwill that is expected to be deductible for tax purposes is $10.5 million.

The fair value of the noncontrolling interests was measured based on market multiples for similar public companies and consideration of the terms of the acquisition, which provide the noncontrolling interest holders the right to exercise a put option, which would obligate us to redeem their interests. The redemption amount is based on a fixed multiple of earnings, which is consistent with the formula utilized in determining the purchase price for our 70% interest.

NOTE 3: DISPOSAL OF LONG-LIVED ASSETS

Portsmouth, Virginia Plant

In November 2011 (fiscal 2012), we announced that we would shift the production of hot dogs and lunch meat from The Smithfield Packing Company, Inc.'s (Smithfield Packing) Portsmouth, Virginia plant to our Kinston, North Carolina plant and permanently close the Portsmouth facility. The Kinston facility will be expanded to handle the additional production and will incorporate state of the art technology and equipment, which is expected to produce significant production efficiencies and cost reductions. The Kinston expansion will require an estimated $85 million in capital expenditures, substantially all of which had been incurred by the end of fiscal 2013.. The expansion of the Kinston facility and the closure of the Portsmouth facility are expected to be completed in the first half of fiscal 2014.

As a result of this decision, we performed an impairment analysis of the related assets at the Portsmouth facility in the second quarter of fiscal 2012 and determined that the net cash flows expected to be generated over the anticipated remaining useful life of the plant are sufficient to recover its book value. As such, no impairment existed. However, we revised depreciation estimates to reflect the use of the related assets at the Portsmouth facility over their shortened useful lives. As a

result, we recognized accelerated depreciation charges of $4.4 million and $3.3 million in cost of sales during fiscal 2013 and fiscal 2012, respectively. Also, in connection with this decision, we wrote-down inventory by $0.8 million in cost of sales and accrued $0.6 million for employee severance in selling, general and administrative expenses in the second quarter of fiscal 2012. All of these charges are reflected in the Pork segment.

Hog Farms

Texas

In January 2011 (fiscal 2011), we sold a portion of our Dalhart, Texas hog production assets to a crop farmer for net proceeds of $9.1 million and recognized a loss on the sale of $1.8 million in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. In April 2011 (fiscal 2011), we completed the sale of the remaining assets of our Dalhart, Texas operation and received net proceeds of $32.5 million. As a result of the sale, we recognized a gain of $13.6 million, after allocating $8.5 million in goodwill to the asset group, in selling, general and administrative expenses in our Hog Production segment in the fourth quarter of fiscal 2011. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Oklahoma and Iowa

In January 2011 (fiscal 2011), we completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, we received total net proceeds of $70.4 million and recognized gains totaling $6.9 million, after allocating $17.0 million of goodwill to these asset groups. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The gains were recorded in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Missouri

In the first half of fiscal 2011, we began reducing the hog population on certain hog farms in Missouri in order to comply with an amended consent decree. The amended consent decree allows us to return the farms to full capacity upon the installation of an approved “next generation” technology that would reduce the level of odor produced by the farms. The reduced hog raising capacity at these farms was replaced with third party contract farmers in Iowa. In the first quarter of fiscal 2011, in connection with the anticipated reduction in finishing capacity, we performed an impairment analysis of these hog farms and determined that the book value of the assets was recoverable and thus, no impairment existed.

Based on the favorable hog raising performance experienced with these third party contract farmers and the amount of capital required to install “next generation” technology at our Missouri farms, we made the decision in the first quarter of fiscal 2012 to permanently idle certain of the assets on these farms. Depreciation estimates were revised to reflect the shortened useful lives of the assets. As a result, we recognized accelerated depreciation charges of $8.2 million in fiscal 2012. These charges are reflected in the Hog Production segment.

Butterball, LLC (Butterball)

In June 2010 (fiscal 2011), we announced that we had made an offer to purchase our joint venture partner’s 51% ownership interest in Butterball and our partner’s related turkey production assets. In accordance with Butterball’s operating agreement, our partner had to either accept the offer to sell or be required to purchase our 49% interest and our related turkey production assets, which we refer to below as our turkey operations.

In September 2010 (fiscal 2011), we were notified of our joint venture partner's decision to purchase our 49% interest in Butterball and our related turkey production assets. In December 2010 (fiscal 2011), we completed the sale of these assets for $167.0 million and recognized a gain of $0.2 million. The gain was calculated as the cash selling price, net of costs to sell, less the carrying amount of the asset disposal group. The operating results and cash flows from our turkey operations were not considered material for separate disclosure.

NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn and soybean meal, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also periodically enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

We do not offset the fair value of derivative instruments with cash collateral held with or received from the same counterparty under a master netting arrangement. As of April 28, 2013, prepaid expenses and other current assets included $75.0 million representing cash on deposit with brokers to cover losses on our open derivative instruments and accrued expenses and other current liabilities included $3.6 million representing cash deposits received from brokers to cover gains on our open derivative instruments. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements. Additionally, certain of our derivative contracts contain credit risk related contingent features, which would require us to post additional cash collateral to cover net losses on open derivative instruments if our credit rating was downgraded. As of April 28, 2013, the net liability position of our open derivative instruments that are subject to credit risk related contingent features was not material.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties under financial instruments. Although our counterparties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counterparties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit exposure to non-exchange traded derivatives. Determination of the credit quality of our counterparties is based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of April 28, 2013, we had credit exposure of $11.4 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, we had no significant credit exposure as of April 28, 2013. No significant concentrations of credit risk existed as of April 28, 2013.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. All derivative contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated balance sheets, as appropriate.

The following table presents the fair values of our open derivative financial instruments in the consolidated balance sheets on a gross basis.

	Assets		Liabilities	
	April 28, 2013	April 29, 2012	April 28, 2013	April 29, 2012
	(in millions)		*(in millions)*	
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 2.5	$ 35.3	$ 73.0	$ 9.6
Livestock contracts	4.1	22.9	1.1	—
Foreign exchange contracts	0.2	1.9	0.1	—
Total	6.8	60.1	74.2	9.6
Derivatives using the "mark-to-market" method:				
Grain contracts	6.2	9.1	13.7	1.0
Livestock contracts	12.4	7.4	0.7	7.2
Energy contracts	3.1	—	0.6	12.2
Foreign exchange contracts	0.6	2.4	0.3	0.7
Total	22.3	18.9	15.3	21.1
Total fair value of derivative instruments	$ 29.1	$ 79.0	$ 89.5	$ 30.7

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn, wheat and soybean meal. In addition, we enter into interest rate swaps to manage our exposure to changes in interest rates associated with our variable interest rate debt, and we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. As of April 28, 2013, we had no cash flow hedges for forecasted transactions beyond April 2014.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

During fiscal 2013, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	30,885,000	114,525,000	Bushels
Soybean meal	273,496	755,444	Tons
Lean Hogs	—	569,920,000	Pounds
Foreign currency[1]	11,687,888	71,979,138	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the effects on our consolidated financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the fiscal years indicated:

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)			Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	(in millions)			*(in millions)*			*(in millions)*		
Commodity contracts:									
Grain contracts	$ 39.1	$ 5.5	$ 232.9	$ 108.4	$ 75.1	$ 80.7	$ —	$ (0.2)	$ 1.9
Lean hog contracts	13.6	102.8	(82.8)	54.9	32.3	(44.5)	0.4	(0.5)	(1.0)
Interest rate contracts	—	—	(1.2)	—	(2.4)	(7.0)	—	—	—
Foreign exchange contracts	0.4	(2.5)	(4.1)	2.1	(4.1)	(2.6)	—	—	—
Total	$ 53.1	$ 105.8	$ 144.8	$ 165.4	$ 100.9	$ 26.6	$ 0.4	$ (0.7)	$ 0.9

For the fiscal periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial.

During fiscal 2012 and 2011, we discontinued cash flow hedge accounting on certain grain contracts as it became probable that the original forecasted transactions would not transpire. As a result of this change, the table above for fiscal 2012 includes gains of $12.0 million on grain contracts de-designated from hedging relationships that were reclassified from accumulated other comprehensive loss into earnings in fiscal 2012. The related impact of discontinued cash flow hedges in fiscal 2011 was immaterial.

As of April 28, 2013, there were deferred net losses of $17.8 million, net of tax of $11.3 million, in accumulated other comprehensive loss. We expect to reclassify $39.0 million ($23.8 million net of tax) of the deferred net gains on closed commodity contracts into earnings in fiscal 2014. We are unable to estimate the unrealized gains or losses to be reclassified into earnings in fiscal 2014 related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts.

During fiscal 2013, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	—	286,800,000	Pounds
Corn	2,745,000	16,960,000	Bushels

The following table presents the effects on our consolidated statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the fiscal years indicated:

	Gain (Loss) Recognized in Earnings on Derivative			Gain (Loss) Recognized in Earnings on Related Hedged Item		
	2013	2012	2011	2013	2012	2011
	(in millions)			*(in millions)*		
Commodity contracts	$(12.8)	$21.9	$(4.2)	$5.0	$(16.7)	$5.4

We recognized losses of $2.5 million in fiscal 2013, gains of $6.0 million in fiscal 2012 and losses of $24.9 million in fiscal 2011, respectively, on closed commodity derivative contracts as the underlying cash transactions affected earnings.

For fair value hedges of hog inventory, we elect to exclude from the assessment of effectiveness differences between the spot and futures prices. These differences are recorded directly into earnings as they occur. These differences resulted in losses of $7.5 million in fiscal 2013 and gains of $5.1 million and $0.2 million in fiscal 2012 and fiscal 2011, respectively.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in either sales or cost of sales for commodity contracts, and selling, general and administrative expenses for foreign exchange contracts.

During fiscal 2013, the range of notional volumes associated with open derivative instruments using the "mark-to-market" method was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	320,000	542,440,000	Pounds
Corn	1,080,000	22,960,000	Bushels
Soybean meal	33,945	109,065	Tons
Soybeans	155,000	935,000	Bushels
Wheat	—	2,000,000	Bushels
Natural gas	9,370,000	11,030,000	Million BTU
Diesel	—	3,528,000	Gallons
Crude oil	—	144,000	Barrels
Foreign currency[1]	21,823,992	131,845,204	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the amount of gains (losses) recognized in the consolidated statements of income on derivative instruments using the "mark-to-market" method by type of derivative contract for the fiscal years indicated:

	Fiscal Years		
	2013	2012	2011
	(in millions)		
Commodity contracts (cost of sales)	$ 12.9	$ 6.4	$ 63.4
Commodity contracts (sales)	29.7	—	—
Foreign exchange contracts	3.7	7.7	(9.0)
Total	$ 46.3	$ 14.1	$ 54.4

The table above reflects gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within a fiscal year. The table includes amounts for both realized and unrealized gains and losses. The table is not, therefore, a simple representation of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 5: INVESTMENTS

Investments consist of the following:

Equity Investment	Segment	% Owned	April 28, 2013	April 29, 2012
			(in millions)	
Campofrio Food Group (CFG)	International	37%	$ 376.2	$ 385.2
Mexican joint ventures	International	50%	129.6	111.2
All other equity method investments	Various	Various	26.6	26.2
Total investments			$ 532.4	$ 522.6

We record our share of earnings and losses from our equity method investments in (income) loss from equity method investments. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated financial statements.

Each quarter, we review the carrying value of our investments and consider whether indicators of impairment exist. Examples of impairment indicators include a history or expectation of future operating losses and declines in a quoted share price, among other factors. If an impairment indicator exists, we must evaluate the fair value of our investment to determine if a loss in value, which is other than temporary, has occurred. If we consider any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment to its estimated fair value would be recorded. We have determined that no write-down was necessary for all periods presented.

As of April 28, 2013, we held 37,811,302 shares of CFG common stock. Shares of CFG are publicly traded on the Bolsa de Madrid Exchange (Madrid Exchange). As the table below shows, the carrying value of our investment in CFG was above the quoted market price on the Madrid Exchange as of April 28, 2013, indicating a possible impairment of our investment in CFG. However, we do not believe the quoted share price on the Madrid Exchange is, by itself, reflective of the fair value of our investment in CFG for the following reasons:

- the minority shares traded on the Madrid Exchange confer no special rights or privileges to buyers. In contrast, the shares comprising our 37% stake in CFG contractually entitle us to two seats on CFG's 9 -person board of directors, giving us the ability to exert significant influence over the strategic and operational decisions of our investee.

- the stock is very thinly traded. CFG is a closely held company, with the three largest shareholders owning approximately 76% of the outstanding shares. We are CFG's largest shareholder, with a 37% stake.

- The average daily trading volume during the last 24 months represents less than three hundredths of one percent of the total outstanding shares. The lack of an active market can cause significant fluctuations and volatility in the stock price that are not commensurate with fundamental changes in the underlying business and the fair value of our holding in CFG. Shares trading on the Madrid Exchange have ranged from a high of €9.28 ($13.74) to a low of €4.12 ($5.39) per share during the last 24 months, with upward and downward fluctuations in between.

The table below shows CFG's intra-day high share price and Smithfield's carrying value, expressed in euro per share, on various dates relevant to our disclosures during the last 24 months.

Date	Share Price	Carrying Value
May 5, 2011	€9.27	€7.93
February 17, 2012	€7.20	€7.54
April 29, 2012(1)	€6.30	€7.70
April 28, 2013(1) (2)	€4.99	€7.64

(1) Share prices on quarter end date reflect the last trading day in the quarter.

(2) Subsequent to the end of fiscal 2013, CFG's share price traded as high as €5.88 per share on May 30, 2013.

As noted above, we do not consider the share price on the Madrid Exchange, by itself, to be determinative of fair value. In assessing the fair value of our investment, we considered a variety of information, including an independent third party valuation report, which incorporates generally accepted valuation techniques, CFG's history of positive cash flows, expectations about the future cash flows of CFG, market multiples for comparable businesses, and an influence premium applied to the market price of CFG's shares on the Madrid Exchange to adjust for our contractual right to two board seats and our ability to exert significant influence over the operational and strategic decisions of the company.

Based on an evaluation of all these factors, we concluded the fair value of our investment in CFG as of April 28, 2013, exceeded its carrying amount. However, our estimate of fair value has declined over the last 24 months, significantly eroding the gap between fair value and carrying value. The fair value decline is primarily attributable to persistent recessionary conditions in Western Europe, which have dampened CFG's current operating performance. In addition, rising interest rates associated with European sovereign debt crises have forced discount rates higher, diminishing the values calculated using our discounted cash flow techniques. Finally, CFG's share price on the Madrid Exchange has declined and, notwithstanding our reservations about the Madrid Exchange price, we nonetheless utilize it as a component of our valuation work and believe such declines must be considered as part of our fair value estimate. While we do not believe our investment is impaired as of April 28, 2013, the confluence of these and other factors has decreased our estimate of CFG's fair value and increased the risk of impairment. If the trends contributing to our lower estimate of CFG's fair value continue, the investment would become impaired. Specifically, if the most sensitive factors affecting our fair value calculations (i.e., estimates of future cash flows, interest rates and share price) continue to deteriorate, it is reasonably possible that our estimate of fair value could fall below carrying value. If that occurs, and we determine that the decline is other than temporary, we would record a charge to income for the difference between the estimate of fair value and the carrying amount of our investment.

(Income) loss from equity method investments consists of the following:

		Fiscal Years		
Equity Investment	**Segment**	**2013**	**2012**	**2011**
		(in millions)		
CFG[(1)]	International	$ (4.8)	$ 25.0	$(17.0)
Mexican joint ventures	International	(9.3)	(13.4)	(29.6)
All other equity method investments	Various	(0.9)	(1.7)	(3.5)
Loss (income) from equity method investments		$(15.0)	$ 9.9	$(50.1)

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

In December 2011 (fiscal 2012), the board of CFG approved a multi-year plan to consolidate and streamline its manufacturing operations to improve operating efficiencies and increase utilization (the CFG Consolidation Plan). The CFG Consolidation Plan includes the disposal of certain assets, employee redundancy costs and the contribution of CFG's French cooked ham business into a newly formed joint venture. As a result, we recorded our share of CFG's charges totaling $38.7 million in loss (income) from equity method investments within the International segment in fiscal 2012.

The following summarized financial information for CFG is based on CFG's financial statements and translated into US Dollars:

	Fiscal Years		
	2013	**2012**	**2011**
		(in millions)	
Income statement information:			
Sales	$2,464.6	$2,536.1	$2,433.3
Gross profit	564.4	583.0	423.0
Net income (loss)	13.0	(71.2)	46.1

	April 28, 2013	**April 29, 2012**
	(in millions)	
Balance sheet information:		
Current assets	$ 909.9	$ 944.5
Long-term assets	1,926.8	1,930.4
Current liabilities	993.6	941.9
Long-term liabilities	1,094.2	1,168.1

NOTE 6: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	April 28, 2013	**April 29, 2012**
	(in millions)	
Payroll and related benefits	$ 246.8	$ 233.5
Customer incentives	88.6	81.7
Derivative instruments and broker deposits	71.0	23.0
Insurance reserves	60.9	63.3
Accrued interest	34.9	41.9
Other	138.8	213.6
Total accrued expenses and other current liabilities	$ 641.0	$ 657.0

NOTE 7: DEBT

Long-term debt consists of the following:

	April 28, 2013	April 29, 2012
	(in millions)	
6.625% senior unsecured notes, due August 2022, including unamortized discounts of $4.7 million	$ 995.3	$ —
10% senior secured notes, due July 2014, including unamortized discounts of $7.0 million	—	357.4
10% senior secured notes, due July 2014, including unamortized premiums of $4.4 million	—	229.4
7.75% senior unsecured notes, due July 2017	500.0	500.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $4.1 million and $26.8 million	395.9	373.2
7.75% senior unsecured notes, due May 2013	55.0	160.0
Floating rate senior unsecured term loan, due May 2018	200.0	200.0
Floating rate senior unsecured term loan, due February 2014	200.0	—
Various, interest rates from 0.0% to 7.22%, due May 2013 through June 2017	132.9	117.3
Total debt	2,479.1	1,937.3
Current portion	(675.1)	(62.5)
Total long-term debt	$1,804.0	$1,874.8

Scheduled maturities of total debt are as follows:

Fiscal Year	*(in millions)*
2014	$ 675.1
2015	70.6
2016	40.5
2017	3.8
2018	518.7
Thereafter	1,170.4
Total debt	$2,479.1

2022 Notes

In August 2012 (fiscal 2013), we issued $1.0 billion aggregate principal amount of ten year, 6.625% senior unsecured notes at a price equal to 99.5% of their face value in a registered public offering (2022 Notes). We received net proceeds of $981.2 million, after underwriting discounts and commissions and offering expenses, upon settlement of the 2022 Notes in August 2012 (fiscal 2013). We incurred $18.0 million in transaction fees in connection with issuance of the 2022 Notes, which are being amortized over the ten -year life of the notes.

Debt Extinguishments

2011 Notes

During fiscal 2011, we repurchased $522.2 million of our 7% senior unsecured notes due August 2011 (2011 Notes) for $543.1 million and recognized losses on debt extinguishment totaling $21.4 million, including the write-off of related unamortized premiums and debt costs.

During fiscal 2012, we redeemed the remaining $77.8 million of our 7% senior unsecured notes due August 2011.

2013 Notes and 2014 Notes

In January 2011 (fiscal 2011), we commenced a Dutch auction cash tender offer to purchase for $450.0 million in cash (the January Tender Offer) the maximum aggregate principal amount of our outstanding 7.75% senior unsecured notes due May 2013 (2013 Notes) and our outstanding 10% senior secured notes due July 2014 (2014 Notes). As a result of the January Tender Offer, we paid $450.0 million to repurchase 2013 Notes and 2014 Notes with face values of $190.0 million and $200.9 million, respectively, and recognized losses on debt extinguishment totaling $71.1 million in the fourth quarter of fiscal 2011, including the write-off of related unamortized discounts and debt costs.

During fiscal 2012, we repurchased $59.7 million of our 2014 Notes for $68.3 million and recognized losses on debt extinguishment of $11.0 million, including the write-off of related unamortized discounts and debt costs.

In conjunction with the issuance of the 2022 Notes in July 2012, we commenced a tender offer to purchase any and all of our outstanding 2013 Notes and any and all of our outstanding 2014 Notes (the July 2012 Tender Offer). The July 2012 Tender Offer expired in August 2012. As a result of the July 2012 Tender Offer, we paid $649.4 million to repurchase 2013 Notes and 2014 Notes with face values of $105.0 million and $456.6 million, respectively. Also in August 2012, we exercised the redemption feature available under our 2014 Notes and paid $155.5 million to repurchase the remaining $132.8 million of our 2014 Notes. Net proceeds from the issuance of the 2022 Notes were used to make all of the repurchases of the 2013 Notes and 2014 Notes. As a result of these repurchases, we recognized losses on debt extinguishment totaling $120.7 million in fiscal 2013, including the write-off of related unamortized discounts, premiums and debt issuance costs.

Working Capital Facilities

In June 2011 (fiscal 2012), we refinanced our asset-based revolving credit agreement totaling $1.0 billion that supported short-term funding needs and letters of credit (the ABL Credit Facility) into two separate facilities: (1) an inventory-based revolving credit facility totaling $925.0 million, with an option to expand up to $1.225 billion (the Inventory Revolver), and (2) an accounts receivable securitization facility totaling $275.0 million (the Securitization Facility). We may request working capital loans and letters of credit under both facilities. As a result of the refinancing, we recognized a loss on debt extinguishment of $1.2 million in the first quarter of fiscal 2012 for the write-off of unamortized debt issuance costs associated with the ABL Credit Facility.

In January 2013 (fiscal 2013), we partially exercised the accordion feature of our Second Amended and Restated Credit Agreement and increased the borrowing capacity of the Inventory Revolver from a total of $925.0 million to a total of $1.025 billion. All other terms and conditions of the Inventory Revolver remain unchanged, including the limitation on the actual amount of credit that is available from time to time under the Inventory Revolver as a result of borrowing base valuations of our inventory, accounts receivable and certain cash balances.

We have the right to further exercise the accordion feature and increase its total revolving commitment by an additional aggregate amount not to exceed $200.0 million, to the extent that any one or more new or existing lenders commit to being a lender for the additional amount and certain other customary conditions are met.

Availability under the Inventory Revolver is a function of the level of eligible inventories, subject to reserves. The Inventory Revolver matures in June 2016. The unused commitment fee and the interest rate spreads are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). As of April 28, 2013, the unused commitment fee and interest rate were 0.5% and LIBOR plus 3%, respectively. The Inventory Revolver includes financial covenants. The ratio of our funded debt to capitalization (as defined in the Second Amended and Restated Credit Agreement) may not exceed 0.5 to 1.0, and our EBITDA to interest expense ratio (as defined in the Second Amended and Restated Credit Agreement) may not be less than 2.5 to 1.0. Obligations under the Inventory Revolver are guaranteed by our material US subsidiaries and are secured by a first priority lien on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property, and certain equity interests. We incurred approximately $9.7 million in transaction fees in connection with the Inventory Revolver, which are being amortized over its five-year life.

The term of the Securitization Facility is three years. As part of the arrangement, all accounts receivable of our major Pork segment subsidiaries 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 our consolidated financial statements and therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should we become insolvent. As of April 28, 2013, the SPV held $411.1 million of accounts receivable and we had no outstanding borrowings on the Securitization Facility.

The unused commitment fee and the interest rate spreads under the Securitization Facility are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). As of April 28, 2013, the unused commitment fee and interest rate were 0.5% and 0.2% plus 1.75%, respectively. We incurred approximately $1.3 million in transaction fees in connection with the Securitization Facility, which are being amortized over its original three-year life.

As of April 28, 2013, we had aggregate credit facilities and credit lines totaling $1.4 billion. Our unused capacity under these credit facilities and credit lines was $1.3 billion. These facilities and lines are generally at prevailing market rates. We pay commitment fees on the unused portion of the facilities.

Average borrowings under credit facilities and credit lines were $105.4 million, $99.8 million and $81.6 million at average interest rates of 5.2%, 4.9% and 4.8% during fiscal 2013, 2012 and 2011, respectively. Maximum borrowings were $229.9 million, $245.3 million and $256.9 million in fiscal 2013, 2012 and 2011, respectively. Total outstanding borrowings were $82.3 million as of April 28, 2013 and $64.9 million as of April 29, 2012 with average interest rates of 4.4% and 5.7%, respectively.

Bank of America Term Loan

In February 2013 (fiscal 2013), we executed a new $200.0 million term loan with a scheduled maturity date of February 4, 2014 (the Bank of America Term Loan). The Bank of America Term Loan bears interest at a rate of LIBOR plus 3.25% per annum or, at our election, a base rate plus 2.25% per annum. In addition, we may elect to prepay the Bank of America Term Loan at any time, subject to the payment of a prepayment premium of 1% applicable to prepayments made at any time during the first eight months of the term. The Bank of America Term Loan contains various restrictive covenants substantially similar to those contained in the Inventory Revolver, including with respect to liens, indebtedness, investments and acquisitions, capital expenditures, distributions, mergers and asset sales, in each case, subject to certain qualifications and exceptions. In addition, the Bank of America Term Loan contains financial covenants that are also substantially similar to those contained in the Inventory Revolver.

Rabobank Term Loan

In August 2012 (fiscal 2013), we amended our $200.0 million term loan with Rabobank (the Rabobank Term Loan). As a result of the amended agreement, our maturity date was extended from June 2016 (fiscal 2017) to May 2018 (fiscal 2019) and the interest rate increased to an annual rate equal to LIBOR plus 4%, or at our election, a base rate plus 3%.

The amended agreement contains affirmative and negative covenants that, among other things, limit or restrict our ability to create liens and encumbrances; incur debt; make acquisitions and investments; dispose of or transfer assets; pay dividends or make other payments in respect of our stock; in each case, subject to certain qualifications and exceptions that are generally consistent with the terms and conditions of the 2022 Notes. In addition, the amended agreement contains a financial covenant requiring us to maintain a minimum interest coverage ratio (ratio of consolidated EBITDA to consolidated interest expense) of not less than 1.75 to 1.0 commencing with our third quarter of fiscal 2013.

Convertible Notes

In July 2008 (fiscal 2009), we issued $400 million aggregate principal amount of 4% convertible senior notes due June 30, 2013 (the Convertible Notes) in a registered offering. The Convertible Notes are senior unsecured obligations. The Convertible Notes are payable with cash and, at certain times, are convertible into shares of our common stock based on an initial conversion rate, subject to adjustment, of 44.082 shares per $1,000 principal amount of Convertible Notes (which represents an initial conversion price of approximately $22.68 per share). Upon conversion, a holder will receive cash up to the principal amount of the Convertible Notes and shares of our common stock for the remainder, if any, of the conversion obligation.

On April 1, 2013, holders obtained the ability to convert their Convertible Notes at any time prior to the close of business on the third scheduled trading day immediately preceding the maturity date.

On the date of issuance of the Convertible Notes, our nonconvertible debt borrowing rate was determined to be 10.2%. Based on that rate of interest, the equity component of the Convertible Notes was determined to be $95.8 million.

In connection with the issuance of the Convertible Notes, we entered into separate convertible note hedge transactions with respect to our common stock to reduce potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions (collectively referred to as the Call Spread Transactions). We purchased call options that permit us to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment, which is the number of shares initially issuable upon conversion of the Convertible Notes. In addition, we sold warrants permitting the purchasers to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment. See Note 11—Equity for more information on the Call Spread Transactions.

NOTE 8: LEASE OBLIGATIONS, COMMITMENTS AND GUARANTEES

Lease Obligations

We lease facilities and equipment under non-cancelable operating leases. The terms of each lease agreement vary and may contain renewal or purchase options. Rental payments under operating leases are charged to expense on the straight-line basis over the period of the lease. Rental expense under operating leases of real estate, machinery, vehicles and other equipment was $47.1 million, $46.5 million and $42.3 million in fiscal 2013, 2012 and 2011, respectively.

Future rental commitments under non-cancelable operating leases as of April 28, 2013 are as follows:

Fiscal Year	*(in millions)*
2014	$ 41.9
2015	30.5
2016	24.3
2017	17.0
2018	15.4
Thereafter	37.5
Total	$166.6

As of April 28, 2013, future minimum lease payments under capital leases were approximately $26.6 million. The present value of the future minimum lease payments was $26.2 million. The long-term portion of capital lease obligations was $25.2 million and $26.1 million as of April 28, 2013 and April 29, 2012, respectively, and the current portion was $1.0 million and $1.0 million as of April 28, 2013 and April 29, 2012, respectively.

Commitments

We have agreements, expiring through fiscal 2022, to use cold storage warehouses owned by partnerships, of which we are 50% partners. We have agreed to pay prevailing competitive rates for use of the facilities, subject to aggregate guaranteed minimum annual fees. In fiscal 2013, 2012 and 2011, we paid $16.6 million, $14.0 million and $18.2 million, respectively, in fees for use of the facilities. We had investments in the partnerships of $2.6 million as of April 28, 2013, and $2.2 million as of April 29, 2012, respectively.

We have purchase commitments with certain livestock producers that obligate us to purchase all the livestock that these producers deliver. Other arrangements obligate us to purchase a fixed amount of livestock. We also use independent farmers and their facilities to raise hogs produced from our breeding stock in exchange for a performance-based service fee payable upon delivery. We estimate the future obligations under these commitments based on available commodity livestock futures prices and internal projections about future hog prices, expected quantities delivered and anticipated performance. Our estimated future obligations under these commitments are as follows:

Fiscal Year	*(in millions)*
2014	$1,829.0
2015	1,325.8
2016	1,081.7
2017	929.4
2018	911.4

As of April 28, 2013, we were also committed to purchase approximately $480.3 million under forward grain contracts payable in fiscal 2014.

We had $53.9 million of committed funds related to approved capital expenditure projects as of April 28, 2013. These projects are expected to be funded with cash flows from operations and/or borrowings under credit facilities.

Guarantees

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated balance sheets as of April 28, 2013. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

As of April 28, 2013, we continue to guarantee $10.2 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. Some of these lease guarantees may be released in the near future and others may remain in place until the leases expire through February 2022.

NOTE 9: INCOME TAXES

Income tax expense consists of the following:

	Fiscal Years		
	2013	**2012**	**2011**
	(in millions)		
Current income tax expense:			
Federal	$ 39.8	$ 72.7	$ 57.6
State	6.1	8.4	17.2
Foreign	5.5	1.1	3.1
	51.4	82.2	77.9
Deferred income tax expense (benefit):			
Federal	(2.6)	82.1	128.3
State	(10.5)	11.2	24.2
Foreign	7.8	(3.1)	5.7
	(5.3)	90.2	158.2
Total income tax expense	$ 46.1	$ 172.4	$ 236.1

A reconciliation of taxes computed at the federal statutory rate to the provision for income taxes is as follows:

	Fiscal Years		
	2013	**2012**	**2011**
Federal income taxes at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	(0.2)	2.1	3.4
Foreign income taxes	(1.7)	(0.2)	(1.2)
Unremitted earnings	—	2.6	—
Net change in uncertain tax positions	0.6	(2.4)	(0.3)
Net change in valuation allowance	(4.8)	(0.9)	(3.4)
Tax credits	(5.7)	(1.0)	(1.1)
Manufacturer's deduction	(1.5)	(1.7)	(1.8)
Adjustment to goodwill	—	—	2.0
Other	(1.6)	(1.2)	(1.4)
Effective tax rate	20.1%	32.3%	31.2%

The unremitted earnings impact to the effective tax rate in fiscal 2012 resulted primarily from the CFG Consolidation Plan.

We had income taxes receivable of $79.4 million and $101.7 million as of April 28, 2013 and April 29, 2012, respectively, in prepaid expenses and other current assets.

The tax effects of temporary differences consist of the following:

	April 28, 2013	April 29, 2012
	(in millions)	
Deferred tax assets:		
Pension and other retirement liabilities	$ 272.4	$ 256.4
Tax credits, carryforwards and net operating losses	77.3	85.6
Accrued expenses and other current liabilities	32.2	53.2
Employee benefits	17.3	—
Other	10.2	30.8
	409.4	426.0
Valuation allowance	(43.5)	(54.6)
Total deferred tax assets	$ 365.9	$ 371.4
Deferred tax liabilities:		
Property, plant and equipment	$ 371.9	$ 385.6
Intangible assets	134.3	125.8
Derivatives	1.5	31.9
Employee benefits	—	13.7
Investments in subsidiaries	44.1	44.6
Total deferred tax liabilities	$ 551.8	$ 601.6

The following table presents the classification of deferred taxes in our balance sheets as of April 28, 2013 and April 29, 2012:

	April 28, 2013	April 29, 2012
	(in millions)	
Prepaids and other current assets	$ 19.9	$ 57.4
Other assets	—	3.2
Other liabilities	205.8	290.8

Management makes an assessment to determine if its deferred tax assets are more likely than not to be realized. Valuation allowances are established in the event that management believes the related tax benefits will not be realized. The valuation allowance primarily relates to state credits, state net operating loss carryforwards and losses in foreign jurisdictions for which no tax benefit was recognized. During fiscal 2013, the valuation allowance decreased by $11.1 million resulting primarily from the utilization of tax losses in foreign jurisdictions.

The tax credits, carryforwards and net operating losses expire from fiscal 2014 to 2033.

There were foreign subsidiary net earnings that were considered permanently reinvested of $149.5 million and $123.6 million as of April 28, 2013 and April 29, 2012, respectively. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested.

A reconciliation of the beginning and ending liability for unrecognized tax benefits is as follows:

	(in millions)
Balance, May 1, 2011	$ 33.6
Additions for tax positions taken in the current year	2.4
Additions for tax positions taken in prior years	(10.8)
Settlements with taxing authorities	(9.3)
Lapse of statute of limitations	(0.6)
Balance, April 29, 2012	15.3
Additions for tax positions taken in the current year	3.9
Reduction for tax positions taken in prior years	(1.8)
Settlements with taxing authorities	(1.0)
Lapse of statute of limitations	(0.7)
Balance, April 28, 2013	$ 15.7

We operate in multiple taxing jurisdictions, both within the US and outside of the US, and are subject to examination from various tax authorities. The liability for unrecognized tax benefits included $5.1 million and $4.7 million of accrued interest as of April 28, 2013 and April 29, 2012, respectively. We recognized $0.4 million of net interest expense during fiscal 2013 and $3.5 million and $0.1 million of net interest income during fiscal 2012 and fiscal 2011, respectively, in income tax expense. The liability for unrecognized tax benefits included $14.9 million as of April 28, 2013 and $14.1 million as of April 29, 2012, that if recognized, would impact the effective tax rate.

We are currently being audited in several tax jurisdictions and remain subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, we may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. We have concluded all US federal income tax matters through fiscal 2012. We are currently under U.S federal examination for the 2013 tax year.

Based upon the expiration of statutes of limitations and/or the conclusion of tax examinations in several jurisdictions as of April 28, 2013, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by up to $2.5 million within twelve months of April 28, 2013.

NOTE 10: PENSION AND OTHER RETIREMENT BENEFIT PLANS

Company Sponsored Defined Benefit Pension Plans

We provide the majority of our US employees with pension benefits. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

The following table presents a reconciliation of the pension benefit obligation, plan assets and the funded status of these pension plans.

	April 28, 2013	April 29, 2012
	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$1,610.6	$1,329.9
Service cost	47.2	37.4
Interest cost	74.8	75.9
Benefits paid	(65.9)	(63.2)
Actuarial loss	146.1	229.1
Other	0.4	1.5
Benefit obligation at end of year	1,813.2	1,610.6
Change in plan assets:[1]		
Fair value of plan assets at beginning of year	1,023.5	956.4
Actual return on plan assets	131.5	(16.0)
Employer contributions	17.7	142.8
Benefits paid	(62.0)	(59.7)
Other	(0.1)	—
Fair value of plan assets at end of year	1,110.6	1,023.5
Funded status	$ (702.6)	$ (587.1)
Amounts recognized in the consolidated balance sheet:		
Net long-term pension liability	$ (697.0)	$ (581.9)
Accrued expenses and other current liabilities	(5.6)	(5.2)
Net amount recognized at end of year	$ (702.6)	$ (587.1)

(1) Excludes the assets and related activity of our non-qualified defined benefit pension plans. The fair value of assets related to our non-qualified plans was $121.0 million and $107.1 million as of April 28, 2013 and April 29, 2012, respectively. We made no contributions to our non-qualified plans in fiscal 2013 and fiscal 2012. Benefits paid for our non-qualified plans were $3.9 million and $3.5 million for fiscal 2013 and fiscal 2012, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $1.7 billion and $1.5 billion as of April 28, 2013 and April 29, 2012, respectively. The accumulated benefit obligation for all of our defined benefit pension plans exceeded the fair value of plan assets for both periods presented.

The following table shows the pre-tax unrecognized items included as components of accumulated other comprehensive loss related to our defined benefit pension plans as of the dates indicated.

	April 28, 2013	April 29, 2012
	(in millions)	
Unrecognized actuarial loss	$(704.9)	$(665.4)
Unrecognized prior service credit	3.2	4.7

We expect to recognize $59.8 million of the actuarial loss and prior service cost as net periodic pension cost in fiscal 2014.

The following table presents the components of the net periodic pension costs for the periods indicated:

	Fiscal Years		
	2013	2012	2011
		(in millions)	
Service cost	$ 47.2	$ 37.4	$ 37.0
Interest cost	74.8	75.9	74.9
Expected return on plan assets	(78.8)	(79.6)	(63.9)
Net amortization	52.9	23.5	34.0
Net periodic pension cost	$ 96.1	$ 57.2	$ 82.0

The following table shows our weighted average assumptions for the periods indicated.

	Fiscal Years		
	2013	2012	2011
Discount rate to determine net periodic benefit cost	4.75%	5.85%	6.00%
Discount rate to determine benefit obligation	4.45	4.75	5.85
Expected long-term rate of return on plan assets	7.75	7.75	8.00
Rate of compensation increase	4.00	4.00	4.00

We use an independent third-party actuary to assist in the determination of assumptions used and the measurement of our pension obligation and related costs. We review and select the discount rate to be used in connection with our pension obligation annually. In determining the discount rate, we use the yield on corporate bonds (rated AA or better) that coincides with the cash flows of the plans' estimated benefit payouts. The model uses a yield curve approach to discount each cash flow of the liability stream at an interest rate specifically applicable to the timing of each respective cash flow. Using imputed interest rates, the model sums the present value of each cash flow stream to calculate an equivalent weighted average discount rate. We use this resulting weighted average discount rate to determine our final discount rate.

To determine the expected long-term return on plan assets, we consider the current and anticipated asset allocations, as well as historical and estimated returns on various categories of plan assets. Long-term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary polices in order to assess the capital market assumptions. Over the 5-year period ended April 28, 2013 and April 29, 2012, the average rate of return on plan assets was approximately 4.01% and 1.40% percent, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. Our investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. 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 our plan trustees.

The following table presents the fair value of our qualified pension plan assets by major asset category as of April 28, 2013 and April 29, 2012. The allocation of our pension plan assets is based on the target range presented in the following table.

	April 28, 2013	April 29, 2012	Target Range
		(in millions)	
Asset category:			
Cash and cash equivalents, net of unsettled transactions	$ 45.3	$ 24.7	0-4%
Equity securities	411.3	427.0	30-50%
Debt securities	555.6	495.2	35-55%
Alternative assets	98.4	76.6	5-20%
Total	$1,110.6	$1,023.5	

See Note 12—Fair Value Measurements for additional information about the fair value of our pension assets.

As of April 28, 2013 and April 29, 2012, the amount of our common stock included in plan assets was 2,054,344 and 4,154,344 shares, respectively, with market values of $53.3 million and $88.2 million, respectively.

We generally contribute the minimum amount required under government regulations to our qualified pension plans, plus amounts necessary to maintain an 80% funded status in order to avoid benefit restrictions under the Pension Protection Act. Minimum employer contributions to our qualified pension plans are expected to be $51.6 million for fiscal 2014.

Expected future benefit payments for our defined benefit pension plans are as follows:

Fiscal Year	*(in millions)*
2014	$ 73.0
2015	77.2
2016	81.6
2017	86.1
2018	91.0
2019-2023	520.8

Multiemployer Defined Benefit Pension Plans

In addition to the Company sponsored defined benefit pension plans, we contribute to several multiemployer defined benefit pension plans under collective bargaining agreements that cover certain of our union-represented employees. The risks of participating in such plans are different from the risks of single-employer plans, in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan may be borne by the remaining participating employers.
- If we were to withdraw from a multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan and on the history of our participation in the plan prior to withdrawal. This is referred to as a withdrawal liability.

Each multiemployer plan in which we participate has a certified zone status as currently defined by the Pension Protection Act of 2006. The zone status is based on information provided to us and other participating employers by each plan and is certified by the plan's actuary. The following are descriptions of the zone status types based on criteria established under the Internal Revenue Code (IRC):

- *"Red" Zone*—Plan has been determined to be in "critical status" and is generally less than 65% funded. A rehabilitation plan, as required under the IRC, must be adopted by plans in the "red" zone. Plan participants may be responsible for the payment of surcharges, in addition to the contribution rate specified in the applicable collective bargaining agreement, for a plan in "critical status," in accordance with the requirements of the IRC.

- *"Yellow" Zone*—Plan has been determined to be in "endangered status" and is generally less than 80% funded. A funding improvement plan, as required under the IRC, must be adopted.

- *"Green" Zone*—Plan has been determined to be neither in "critical status" nor in "endangered status," and is generally at least 80% funded.

All plans in which we participate were in the "green" zone for the two most recent benefit plan years that have been certified.

The following table summarizes our contributions to multiemployer plans[(1)].

Plan	EIN/PN[(2)]	Fiscal Years			Expiration Dates of Collective Bargaining Agreements
		2013	2012	2011	
			(in millions)		
United Food and Commercial Workers International Union Industry Pension Fund	51-6055922 /001	$1.2	$1.1	$1.4	Multiple[(3)]
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390 /001	0.2	0.2	0.2	October 2013
IAM National Pension Fund National Pension Plan	51-6031295 /002	0.1	0.1	0.1	February 2014
Total contributions to multiemployer plans		$1.5	$1.4	$1.7	

(1) Contributions represent the amounts we contributed to the plans during the fiscal periods ending in the specified year. Our contributions to each plan did not exceed 5% of total plan contributions for any plan year presented.

(2) Represents the Employer Identification Number and the three-digit plan number assigned to a plan by the Internal Revenue Service.

(3) We have multiple collective bargaining agreements associated with the United Food and Commercial Workers International Union Industry Pension Fund. These agreements are currently scheduled to expire in December 2013, January 2014, October 2015 and May 2016.

Other Employee Benefit Plans

We sponsor defined contribution pension plans (401(k) plans) covering substantially all US employees. Our contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were $15.0 million, $13.9 million and $13.9 million in fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

We also provide health care and life insurance benefits for certain retired employees. These plans are unfunded and generally pay covered costs reduced by retiree premium contributions, co-payments and deductibles. We retain the right to modify or eliminate these benefits. We consider disclosures related to these plans immaterial to the consolidated financial statements and related notes.

NOTE 11: EQUITY

Share Repurchase Program

In June 2012 (fiscal 2013), we announced that our board of directors had approved a new share repurchase program authorizing us to buy up to $250.0 million of our common stock over the subsequent 24 months in addition to the $250.0 million authorized during fiscal 2012 (Share Repurchase Program). In July 2012 (fiscal 2013), our board of directors approved an increase of $100.0 million to the authorized amount under the Share Repurchase Program. Share repurchases may be made on the open market or in privately negotiated transactions. The number of shares repurchased, and the timing of any buybacks, will depend on our corporate cash balances, business and economic conditions, and other factors, including investment opportunities. The program may be discontinued at any time. The Merger Agreement, as defined in "Note 18—Subsequent Events, generally prohibits the Company from repurchasing any of its shares prior to the completion of the Merger

During fiscal 2013, we repurchased 19,068,079 shares of our common stock for $386.4 million, including related fees. The price of the repurchased shares has been allocated among common stock, additional paid-in capital and retained earnings in our consolidated condensed balance sheet in accordance with applicable accounting guidance.

Since the inception of the Share Repurchase Program in June 2011 (fiscal 2012) and through April 28, 2013, we have repurchased 28,244,783 shares of our common stock for $575.9 million, including related commissions, at an average price of $20.38.

Preferred Stock

We have 1,000,000 shares of $1.00 par value preferred stock authorized, none of which are issued. The board of directors is authorized to issue preferred stock in series and to fix, by resolution, the designation, dividend rate, redemption provisions, liquidation rights, sinking fund provisions, conversion rights and voting rights of each series of preferred stock.

Stock-Based Compensation

Under the terms of the merger agreement with Shuanghui, which is further described in Note 18 —Subsequent Events, immediately prior to the merger, the maximum number of shares underlying all then-outstanding stock-based compensation awards, whether vested or unvested, will be surrendered in exchange for the right to receive cash of $34.00 per share, less the exercise price of such awards, if any. The disclosures that follow surrounding stock-based compensation are provided without regard to the possibility of such merger occurring.

During fiscal 2009, we adopted the 2008 Incentive Compensation Plan (the Incentive Plan), which replaced the 1998 Stock Incentive Plan and provides for the issuance of non-statutory stock options and other awards to employees, non-employee directors and consultants. There are 12,583,397 shares reserved under the Incentive Plan. As of April 28, 2013, there were 7,140,603 shares available for grant under this plan.

Stock Options

Under the Incentive Plan, we grant options for periods not exceeding 10 years, which either cliff vest five years after the date of grant or vest ratably over a three-year period with an exercise price of not less than 100% of the fair market value of the common stock on the date of grant. Compensation expense for stock options was $4.9 million, $6.1 million and $3.8 million for fiscal 2013, 2012 and 2011, respectively. The related income tax benefits recognized were $1.8 million, $2.4 million and $1.5 million, for fiscal 2013, 2012 and 2011, respectively. There was no compensation expense capitalized as part of inventory or fixed assets during fiscal 2013, 2012 and 2011.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The expected annual volatility is based on the historical volatility of our stock and other factors. We use historical data to estimate option exercises and employee termination within the pricing model. The expected term of options granted represents the period of time that options are expected to be outstanding. The following table summarizes the assumptions made in determining the fair value of stock options granted in the fiscal years indicated:

	Fiscal Years		
	2013	**2012**	**2011**
Expected annual volatility	57%	55%	54%
Dividend yield	—%	—%	—%
Risk free interest rate	0.52%	1.11%	1.62%
Expected option life (years)	4	4	4

The options granted in fiscal 2013, 2012 and 2011 were valued in separate tranches according to the expected life of each tranche. The above table reflects the weighted average risk free interest rate and expected option life of each tranche. The expected dividend yield was the same for all options granted in fiscal 2013, 2012 and 2011. We have never paid a cash dividend on our common stock.

The following table summarizes stock option activity under the Incentive Plan as of April 28, 2013, and changes during the fiscal year then ended:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value**
				(in millions)
Outstanding as of April 29, 2012	2,826,616	$21.82		
Granted	370,000	$20.67		
Exercised	(279,578)	$15.29		
Forfeited	(18,885)	$19.83		
Expired	(40,000)	$21.00		
Outstanding as of April 28, 2013	2,858,153	$22.34	4.3	$14.4
Exercisable as of April 28, 2013	1,621,324	$23.58	3.5	$ 8.0

The weighted average grant-date fair value of options granted during fiscal 2013, 2012 and 2011 was $8.92, $9.36 and $6.61, respectively. The total intrinsic value of options exercised during fiscal 2013, 2012 and 2011 was $2.4 million, $0.9 million and $0.4 million, respectively.

As of April 28, 2013, there was $2.9 million of total unrecognized compensation cost related to nonvested stock options granted under the Incentive Plan. That cost is expected to be recognized over a weighted average period of 1.3 years. The total fair value of stock options vested during fiscal 2013, 2012 and 2011 was $7.5 million, $5.7 million and $1.9 million, respectively.

Performance Share Units

The Incentive Plan also provides for the issuance of performance share units (PSU) to reward employees for the achievement of performance goals. We grant PSUs that contain performance conditions, which require the achievement of specified financial and/or operational performance metrics. We also grant PSUs that contain market conditions, which require the achievement of certain stock price targets or the achievement of specified levels of shareholder return relative to other companies in our industry. PSUs generally vest over a required employee service period, which typically ranges from one to five years and closely matches the performance period. Each performance share unit represents and has a value equal to one share of our common stock. Payment of vested performance share units is generally in our common stock.

PSUs containing performance conditions are generally measured at fair value as if they were vested and issued on the grant date. The fair value of PSUs containing market conditions is estimated using a Monte Carlo simulation model, which simulates a range of possible future stock prices after incorporating assumptions about risk free rates, volatility and other relevant assumptions pertinent to the specific awards. The grant date fair value of performance share units is recognized as compensation expense over the requisite employee service period.

The following table summarizes performance share unit activity under the Incentive Plan as of April 28, 2013, and changes during the fiscal year then ended. The number of awards granted and outstanding reflects the maximum number of share units that may vest under the awards.

	Number of Share Units
Outstanding as of April 29, 2012	908,000
Granted	920,000
Vested and issued	(564,433)
Forfeited	(51,000)
Outstanding as of April 28, 2013	1,212,567

The weighted average grant date fair value for PSUs granted in fiscal 2013, 2012 and 2011 was $21.03, $20.63 and $17.57 per share unit, respectively. The total intrinsic value of PSUs converted into shares of our common stock and issued in fiscal 2013 and fiscal 2012 was $10.9 million and $15.2 million, respectively. No PSUs were converted into shares of our common stock in fiscal 2011. Compensation expense for performance share units was $8.1 million, $8.3 million and $7.5 million in fiscal 2013, 2012 and 2011, respectively. The related income tax benefits recognized were $3.0 million, $3.2 million and $2.9 million for fiscal 2013, 2012 and 2011, respectively. As of April 28, 2013, there was approximately $6.8 million of total unrecognized compensation cost related to the performance share units, which is expected to be recognized over a weighted average period of 1.5 years.

Executive Stock Purchase Plan (ESPP)

As part of the Incentive Plan, we maintain a nonqualified deferred compensation plan that permits executive officers to voluntarily defer up to 25% of the payouts under their annual cash incentive awards in exchange for a performance award payable in the form of Company stock at such time in the future as elected by the officers, but not less than three years from the end of the performance period. The Company will provide a 100% match to the officers' deferral in the form of restricted stock under the Incentive Plan. The match is subject to three-year cliff vesting and will be forfeited if the officer voluntarily terminates employment before vesting.

The fair value of these restricted stock awards is generally measured as if they were vested and issued on the grant date. We granted a total of 450,793 restricted stock units in fiscal 2013, including the company match, of which 250,575 are fully vested. All of these units were outstanding as of April 28, 2013. There were no restricted stock units outstanding as of April 29, 2012. We recognized compensation expense of $3.5 million and $4.9 million in fiscal 2013 and 2012, respectively, related to restricted stock awards under the ESPP. For awards granted under the ESPP through the date of this filing, we expect to recognize an additional $5.0 million of compensation expense over a weighted average period of 1.8 years.

Call Spread Transactions

In connection with the issuance of the Convertible Notes (see Note 7—Debt), we entered into separate convertible note hedge transactions with respect to our common stock to minimize the impact of potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions.

We purchased call options in private transactions that permit us to acquire up to approximately 17.6 million shares of our common stock at an initial strike price of $22.68 per share, subject to adjustment, for $88.2 million. In general, the call options allow us to acquire a number of shares of our common stock initially equal to the number of shares of common stock issuable to the holders of the Convertible Notes upon conversion. These call options will terminate upon the maturity of the Convertible Notes.

We also sold warrants in private transactions for total proceeds of approximately $36.7 million. The warrants permit the purchasers to acquire up to approximately 17.6 million shares of our common stock at an initial exercise price of $30.54 per share, subject to adjustment. The warrants expire on various dates from October 2013 (fiscal 2014) to December 2013 (fiscal 2014).

The Call Spread Transactions, in effect, increase the initial conversion price of the Convertible Notes from $22.68 per share to $30.54 per share, thus reducing the potential future economic dilution associated with conversion of the notes. The Convertible Notes and the warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

We have analyzed the Call Spread Transactions and determined that they meet the criteria for classification as equity instruments. As a result, we recorded the purchase of the call options as a reduction to additional paid-in capital and the proceeds of the warrants as an increase to additional paid-in capital. Subsequent changes in fair value of those instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

Stock Held in Trust

We maintain a non-qualified defined Supplemental Pension Plan (the Supplemental Plan) the purpose of which is to provide supplemental retirement income benefits for those eligible employees whose benefits under the tax-qualified plans are subject to statutory limitations. A grantor trust has been established for the purpose of satisfying the obligations under the plan. As of April 28, 2013, the Supplemental Plan held 2,616,687 shares of our common stock at an average cost of $23.75.

As part of the Incentive Plan director fee deferral program, we purchase shares of our common stock on the open market for the benefit of the plan's participants. These shares are held in a rabbi trust until they are transferred to the participants. As of April 28, 2013, the rabbi trust held 330,180 shares of our common stock at an average cost of $20.17.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income consists of the following:

	April 28, 2013	April 29, 2012
	(in millions)	
Foreign currency translation	$ (170.5)	$ (159.4)
Pension accounting	(427.9)	(402.7)
Hedge accounting	(17.8)	51.2
Accumulated other comprehensive loss	$ (616.2)	$ (510.9)

NOTE 12: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data that we believe are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

We have classified assets and liabilities measured at fair value based on the lowest level of input that is significant to the fair value measurement. For the periods presented, we had no transfers of assets or liabilities between levels within the fair value hierarchy. The timing of any such transfers would be determined at the end of each reporting period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of April 28, 2013 and April 29, 2012:

	April 28, 2013				April 29, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				(in millions)			
Assets								
Derivatives:								
Commodity contracts	$ 6.8	$ —	$ —	$ 6.8	$ 52.0	$ 1.3	$ —	$ 53.3
Foreign exchange contracts	—	0.8	—	0.8	—	4.3	—	4.3
Open-ended mutual funds	6.4	—	—	6.4	12.2	—	—	12.2
Insurance contracts	—	60.0	—	60.0	—	51.3	—	51.3
Total	$ 13.2	$ 60.8	$ —	$ 74.0	$ 64.2	$ 56.9	$ —	$ 121.1
Liabilities								
Derivatives:								
Commodity contracts	$ 30.5	$ 37.1	$ —	$ 67.6	$ —	$ 8.6	$ —	$ 8.6
Foreign exchange contracts	—	0.4	—	0.4	—	0.7	—	0.7
Total	$ 30.5	$ 37.5	$ —	$ 68.0	$ —	$ 9.3	$ —	$ 9.3

The following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value on a recurring basis:

- *Derivatives*—Derivatives classified within Level 1 are valued using quoted market prices. In some cases where quoted market prices are not available, we value the derivatives using pricing models based on the net present value of estimated future cash flows to calculate fair value, in which case the measurements are classified within Level 2. These valuation models make use of market-based observable inputs, including exchange traded prices and rates, yield curves, credit curves, and measures of volatility.

- *Open-ended mutual funds*—Open-ended mutual funds are valued at their net asset value (NAV), which approximates fair value, and classified as Level 1.

- *Insurance contracts*—Insurance contracts are valued at their cash surrender value using the daily asset unit value (AUV) which is based on the quoted market price of the underlying securities and classified within Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. During fiscal 2013 and fiscal 2012, we had no significant assets or liabilities that were measured and recorded at fair value on a nonrecurring basis.

Pension Plan Assets

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of April 28, 2013 and April 29, 2012:

	April 28, 2013				April 29, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(in millions)				*(in millions)*		
Cash and cash equivalents	$ 40.0	$ —	$ —	$ 40.0	$ 22.4	$ —	$ —	$ 22.4
Equity securities:								
Preferred stock	—	0.6	—	0.6	—	0.5	—	0.5
US common stock:								
Health care	23.3	—	—	23.3	22.7	—	—	22.7
Financial services	25.1	—	—	25.1	21.8	—	—	21.8
Retail and consumer products	90.7	—	—	90.7	117.9	—	—	117.9
Energy	8.9	—	—	8.9	11.4	—	—	11.4
Information technology	22.0	—	—	22.0	30.8	—	—	30.8
Manufacturing and industrials	18.0	—	—	18.0	18.6	—	—	18.6
Telecommunications	6.7	—	—	6.7	9.5	—	—	9.5
International common stock	104.4	—	—	104.4	103.6	—	—	103.6
Mutual funds:								
International	—	82.8	—	82.8	—	30.1	—	30.1
Domestic small cap	—	23.2	—	23.2	—	19.8	—	19.8
Domestic large cap	—	2.2	—	2.2	—	2.5	—	2.5
Balanced	—	3.4	—	3.4	—	37.8	—	37.8
Fixed income:								
Mutual funds	—	26.0	—	26.0	—	11.3	—	11.3
Asset-backed securities	—	16.0	—	16.0	—	92.0	—	92.0
Emerging markets securities	—	16.2	—	16.2	—	—	—	—
Corporate debt securities	—	366.6	—	366.6	—	285.5	—	285.5
Government debt securities	—	130.8	—	130.8	—	106.4	—	106.4
Alternative investments:								
Diversified investment funds	—	51.2	—	51.2	—	—	—	—
Domestic options contracts	—	4.7	—	4.7	—	—	—	—
Futures contracts	—	1.2	—	1.2	—	—	—	—
Limited partnerships	—	—	40.1	40.1	—	—	75.0	75.0
Insurance contracts	—	—	1.2	1.2	—	—	1.6	1.6
Total fair value	$339.1	$724.9	$41.3	1,105.3	$358.7	$585.9	$76.6	1,021.2
Unsettled transactions, net				5.3				2.3
Total plan assets				$1,110.6				$1,023.5

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents*—Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their NAV, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities*—When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and mutual funds not actively traded.

- *Fixed income*—The fair values of fixed income instruments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these fixed income instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 fixed income instruments include mutual funds, asset-backed securities, corporate debt securities and government debt securities.

- *Alternative Investments*—The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds, domestic options contracts and futures contracts.

- *Limited partnerships*—The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilizing available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts*—The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

The following table summarizes the changes in our Level 3 pension plan assets for the year-ended April 28, 2013 and April 29, 2012:

	Insurance Contracts	Limited Partnerships
	(in millions)	
Balance, May 1, 2011	$ 1.8	$ 33.6
Actual return on plan assets:		
Related to assets held at the reporting date	—	(2.7)
Related to assets sold during the period	—	1.6
Purchases, sales and settlements, net	(0.2)	42.5
Balance, April 29, 2012	1.6	75.0
Actual return on plan assets:		
Related to assets held at the reporting date	—	(10.9)
Related to assets sold during the period	—	2.4
Purchases, sales and settlements, net	(0.4)	(26.4)
Balance, April 28, 2013	$ 1.2	$ 40.1

Other Financial Instruments

We determine the fair value of public debt using Level 2 inputs based on quoted market prices. The carrying amount of all other debt approximates fair value as those instruments are based on variable interest rates. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of April 28, 2013 and April 29, 2012.

	April 28, 2013		April 29, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
		(in millions)		
Total Debt	$2,732.9	$2,479.1	$2,176.5	$1,937.3

The carrying amounts of cash and cash equivalents, accounts receivable, notes payable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 13: RELATED PARTY TRANSACTIONS

The following table presents amounts owed from and to related parties as of April 28, 2013 and April 29, 2012:

	April 28, 2013	April 29, 2012
	(in millions)	
Current receivables from related parties	$ 5.9	$ 6.6
Long-term receivables from related parties	—	—
Total receivables from related parties	$ 5.9	$ 6.6
Current payables to related parties	$ 9.0	$ 7.1
Long-term payables to related parties	—	—
Total payables to related parties	$ 9.0	$ 7.1

Wendell Murphy, a director of ours, or his immediate family members hold ownership interests in Arrowhead Farms, Inc., BAZ, LLC, Crusader Farms, LLC, DM Farms, LLC, Enviro-Tech Farms, Inc., Golden Farms, Inc., Ironside Investment Management, LLC, Lisbon 1 Farm, Inc. (Lisbon), Murphy Family Ventures, Murphy-Honour Farms, Inc., Murphy Milling Company, Quarter M Ranch, Inc., PSM Associates LLC, Pure Country Farms, LLC, Stantonsburg Farm, Inc., Triumph Associates, LLC and Webber Farms, Inc. A vice president of our Hog Production segment also holds an ownership interest in Lisbon. These farms either produce hogs for us or produce and sell feed ingredients to us. In fiscal 2013, 2012 and 2011, we paid $51.6 million, $52.2 million and $70.4 million, respectively, to these entities for hogs, feed ingredients and reimbursement of associated farm and other support costs.

One of our vice presidents of our Hog Production segment holds an ownership interests in JCT LLC (JCT). JCT owns certain farms that produce hogs under contract with the Hog Production segment. In fiscal 2013, 2012 and 2011, we paid $6.2 million, $7.9 million and $7.8 million, respectively, to JCT for the production of hogs. In fiscal 2013, 2012 and 2011, we received $2.6 million, $3.1 million and $3.3 million, respectively, from JCT for reimbursement of associated farm and other support costs.

Also, multiple other vice presidents of the Hog Production segment hold ownership interests in Seacoast, LLC, Advantage Farms, LLC, Old Oak Farms LLC and Pork Partners, Inc. These companies produce and raise hogs for us under contractual arrangements that are consistent with third party grower contracts. In fiscal 2013, 2012 and 2011, we paid service fees of $1.5 million, $1.7 million and $1.9 million, respectively, to these companies. In fiscal 2013, 2012 and 2011, we received $0.2 million, $0.4 million and $0.5 million, respectively, from these companies for reimbursement of associated farm and other support costs.

We believe that the terms of the foregoing arrangements were no less favorable to us than if entered into with unaffiliated companies.

NOTE 14: REGULATION AND CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

We have no material contingencies or uncertainties that could be expected to affect the fairness of presentation of our consolidated financial statements as of April 28, 2013.

Fire Insurance Settlement

In July 2009 (fiscal 2010), a fire occurred at the primary manufacturing facility of our subsidiary, Patrick Cudahy, Inc. (Patrick Cudahy), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entir e facility. Shortly after the fire, we resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Company and third-party facilities.

We maintain comprehensive general liability and property insurance, including business interruption insurance. In December 2010 (fiscal 2011), we reached an agreement with our insurance carriers to settle the claim for a total of $208.0 million, of which $70.0 million had been advanced to us in fiscal 2010. We allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses incurred and business interruption losses that resulted from the fire. The remaining proceeds were recognized as an involuntary conversion gain of $120.6 million in the Corporate segment in the third quarter of fiscal 2011. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income. We also recognized $15.8 million of the insurance proceeds in fiscal 2011 in cost of sales in our Pork segment to offset business interruption losses incurred.

Of the $138.0 million in insurance proceeds received in fiscal 2011 to settle the claim, $120.6 million was classified in net cash flows from investing activities in the consolidated statements of cash flows, which represents the portion of proceeds related to destruction of the facility. The remainder of the proceeds was recorded in net cash flows from operating activities in the consolidated statements of cash flows and was attributed to business interruption recoveries and reimbursable costs covered under our insurance policy.

NOTE 15: REPORTING SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and assess performance. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations. Our reportable segments are: Pork, Hog Production, International, Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

Pork Segment

The Pork segment consists mainly of our three wholly owned US fresh pork and packaged meats subsidiaries: Smithfield Packing, Farmland Foods, Inc. and John Morrell Food Group. The Pork segment produces a wide variety of fresh pork and packaged meats products in the US and markets them nationwide and to numerous foreign markets, including China, Japan, Mexico, Russia and Canada. Fresh pork products include loins, butts, picnics and ribs, among others. Packaged meats products include smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dry meat products, and ready-to-eat, prepared foods such as pre-cooked entrees and pre-cooked bacon and sausage.

The following table shows the percentages of Pork segment revenues derived from packaged meats and fresh pork for the fiscal years indicated.

	Fiscal Years		
	2013	**2012**	**2011**
Packaged meats	56%	54%	56%
Fresh pork [(1)]	44	46	44
	100%	100%	100%

(1) Includes by-products and rendering.

Hog Production Segment

The Hog Production segment consists of our hog production operations located in the US The Hog Production segment operates numerous facilities with approximately 853,000 sows producing about 16.0 million finisher hogs annually. The Hog Production segment produces approximately 53% of the Pork segment's live hog requirements. We own certain genetic lines of specialized breeding stock which are marketed using the name Smithfield Premium Genetics (SPG).

The following table shows the percentages of Hog Production segment revenues derived from hogs sold internally and externally, and other products for the fiscal years indicated.

	Fiscal Years		
	2013	**2012**	**2011**
Internal hog sales	76%	80%	78%
External hog sales	14	17	19
Other products [(1)]	10	3	3
	100%	100%	100%

(1) Consists primarily of grains, feed and gains (losses) on derivatives.

International Segment

The International segment includes our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. Our international meat processing operations produce a wide variety of fresh pork, beef, poultry and packaged meats products, including cooked hams, sausages, hot dogs, bacon and canned meats.

The following table shows the percentages of International segment revenues derived from packaged meats, fresh meats and other products for the fiscal years indicated.

	Fiscal Years		
	2013	**2012**	**2011**
Packaged meats	48%	47%	47%
Fresh meats	43	43	42
Other products [1]	9	10	11
	100%	100%	100%

(1) Includes external hog sales, feed, feathers, by-products and rendering.

Other Segment

The Other segment, contains the results of our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010 (fiscal 2011).

Corporate Segment

The Corporate segment provides management and administrative services to support our other segments.

Segment Results

The following tables present information about the results of operations and the assets of our reportable segments for the fiscal years presented. The information contains certain allocations of expenses that we deem reasonable and appropriate for the evaluation of results of operations. We do not allocate income taxes to segments. Segment assets exclude intersegment account balances as we believe their inclusion would be misleading or not meaningful. We believe all intersegment sales are at prices that approximate market.

	Fiscal Years		
	2013	**2012**	**2011**
		(in millions)	
Segment Profit Information			
Sales:			
Segment sales—			
Pork	$ 11,076.1	$ 11,093.0	$ 10,263.9
Hog Production	3,135.1	3,052.6	2,705.1
International	1,468.5	1,466.7	1,340.7
Other	—	—	74.7
Total segment sales	15,679.7	15,612.3	14,384.4
Intersegment sales—			
Pork	(41.4)	(37.1)	(30.5)
Hog Production	(2,380.1)	(2,444.6)	(2,113.0)
International	(37.1)	(36.3)	(38.2)
Total intersegment sales	(2,458.6)	(2,518.0)	(2,181.7)
Consolidated sales	$ 13,221.1	$ 13,094.3	$ 12,202.7

	Fiscal Years		
	2013	2012	2011
		(in millions)	
Depreciation and amortization:			
Pork	$ 136.1	$ 127.8	$ 125.5
Hog Production	63.8	71.9	65.7
International	35.8	39.9	38.1
Other	—	—	0.1
Corporate	4.2	3.2	2.5
Consolidated depreciation and amortization	$ 239.9	$ 242.8	$ 231.9
Interest expense (income):			
Pork	$ (5.5)	$ 28.7	$ 42.4
Hog Production	167.0	131.8	124.5
International	28.2	29.8	28.2
Other	—	—	4.2
Corporate	(21.0)	(13.6)	46.1
Consolidated interest expense	$ 168.7	$ 176.7	$ 245.4
(Income) Loss from equity method investments			
Pork	$ (1.5)	$ (2.7)	$ (2.0)
Hog Production	0.1	0.3	(0.4)
International	(13.6)	12.3	(46.5)
Other	—	—	(1.2)
Consolidated (income) loss from equity method investments	$ (15.0)	$ 9.9	$ (50.1)
Operating profit:			
Pork	$ 631.6	$ 623.7	$ 753.4
Hog Production	(119.1)	166.1	224.4
International	108.2	42.8	115.9
Other	—	—	(2.4)
Corporate	(101.4)	(110.0)	3.7
Consolidated operating profit	$ 519.3	$ 722.6	$ 1,095.0

	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)	
Segment Asset Information			
Total assets:			
Pork	$ 2,291.3	$ 2,245.6	$ 2,620.2
Hog Production	2,299.2	2,145.4	2,074.2
International	1,703.1	1,651.4	1,902.3
Corporate	1,422.8	1,379.8	1,015.1
Consolidated total assets	$ 7,716.4	$ 7,422.2	$ 7,611.8

	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)	
Segment Asset Information			
Investments:			
Pork	$ 18.9	$ 18.6	$ 17.4
Hog Production	3.1	2.6	2.7
International	510.2	501.2	562.1
Corporate	0.2	0.2	0.3
Consolidated investments	$ 532.4	$ 522.6	$ 582.5
Capital expenditures:			
Pork	$ 156.9	$ 143.5	$ 81.3
Hog Production	90.0	89.4	68.6
International	24.8	26.5	26.8
Corporate	6.3	31.3	0.1
Consolidated capital expenditures	$ 278.0	$ 290.7	$ 176.8

The following table shows the change in the carrying amount of goodwill by reportable segment:

	Pork	International	Hog Production	Total
		(in millions)		
Balance, May 1, 2011	$ 216.1	$ 157.2	$ 420.0	$ 793.3
Other goodwill adjustments [(1)]	(0.4)	(24.7)	—	(25.1)
Balance, April 29, 2012	215.7	132.5	420.0	768.2
Acquisition [(2)]	16.4	—	—	16.4
Other goodwill adjustments [(1)]	(0.3)	(1.9)	—	(2.2)
Balance, April 28, 2013	$ 231.8	$ 130.6	$ 420.0	$ 782.4

(1) Other goodwill adjustments primarily include the effects of foreign currency translation.

(2) See Note 2—Acquisitions for discussion of acquisition.

The following table presents our consolidated sales and long-lived assets attributed to operations by geographic area for the fiscal years ended April 28, 2013, April 29, 2012 and May 1, 2011:

	Fiscal Years 2013	2012	2011
		(in millions)	
Sales:			
US	$ 11,789.7	$ 11,663.9	$ 10,900.2
International	1,431.4	1,430.4	1,302.5
Total sales	$ 13,221.1	$ 13,094.3	$ 12,202.7

	April 28, 2013	April 29, 2012	May 1, 2011
		(in millions)	
Long-lived assets:			
US	$ 3,032.9	$ 2,969.1	$2,905.7
International	1,131.7	1,154.1	1,368.2
Total long-lived assets	$ 4,164.6	$ 4,123.2	$4,273.9

NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal Years		
	2013	2012	2011
		(in millions)	
Supplemental disclosures of cash flow information:			
Interest paid, including capitalized interest	$ (147.9)	$ (149.6)	$ (223.3)
Income taxes (paid) refunded, net	(3.7)	(225.7)	34.8

NOTE 17: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First	Second	Third	Fourth	Fiscal Year
		(in millions, except per share data)			
Fiscal 2013					
Sales	$ 3,091.3	$ 3,225.8	$ 3,583.3	$ 3,320.7	$ 13,221.1
Gross profit	332.2	377.3	328.8	281.4	1,319.7
Operating profit	131.8	178.3	136.3	72.9	519.3
Net income	61.7	10.9	81.5	29.7	183.8
Net income per share: (1)					
Basic	$ .40	$ .07	$ .58	$ .21	$ 1.26
Diluted	$ .40	$ .07	$ .58	$ .21	$ 1.26
Fiscal 2012					
Sales	$ 3,094.2	$ 3,312.6	$ 3,478.3	$ 3,209.2	$ 13,094.3
Gross profit	407.1	419.6	379.8	342.9	1,549.4
Operating profit	173.2	224.7	170.5	154.2	722.6
Net income	82.1	120.7	79.0	79.5	361.3
Net income per share: (1)					
Basic	$ .50	$ .74	$ .49	$ .50	$ 2.23
Diluted	$ .49	$ .74	$ .49	$ .49	$ 2.21

(1) Per common share amounts for the quarters and full years have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the weighted average common shares outstanding during each period.

The following significant infrequent or unusual items impacted our quarterly results in fiscal 2013 and fiscal 2012:

Fiscal 2013

- Net income in the second quarter included loss on debt extinguishment of $120.7 million.

Fiscal 2012

- Net income in the first, second and third quarters included losses on debt extinguishment of $1.2 million, $6.4 million and $4.6 million, respectively.
- Operating profit in the first and fourth quarters included charges of $39.0 million and a net benefit of $16.8 million, respectively, related to the Missouri litigation.
- Gross profit in the first, second and third quarters included accelerated depreciation charges associated with the idling of certain Missouri hog farm assets of $4.3 million, $3.2 million, and $0.7 million, respectively.
- Operating profit in the second, third and fourth quarters included charges associated with the planned closure of our Portsmouth facility of $1.8 million, $1.7 million, and $1.2 million, respectively.
- Operating profit in the first and second quarters included professional fees related to the potential acquisition of a controlling interest in CFG of $5.7 million and $0.7 million, respectively. In June 2011 (fiscal 2012), we terminated negotiations to purchase the additional interest.
- Operating profit in the third quarter included our share of charges related to the CFG Consolidation Plan of $38.7 million.

NOTE 18: SUBSEQUENT EVENTS

Definitive Merger Agreement

On May 28, 2013, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands (Shuanghui) and Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of Shuanghui (Merger Sub and, together with Shuanghui, the Parent Parties), pursuant to which Merger Sub will merge with and into the Company (the Merger), with the Company surviving the Merger as a wholly owned subsidiary of Shuanghui.

Shuanghui is the majority shareholder of Henan Shuanghui Investment & Development Co., which is China’s largest meat processing enterprise and China’s largest publicly traded meat products company as measured by market capitalization.

Under the terms of the Merger Agreement, which has been unanimously approved by the boards of directors of both companies, Shuanghui will acquire all of the outstanding shares of Smithfield for $34.00 per share in cash. Upon completion of the Merger, all then-outstanding stock-based compensation awards, whether vested or unvested, will be converted into the right to receive cash of $34.00 per share (without interest), less the exercise price of such awards, if any.

The Merger Agreement contains certain termination rights for the Company and Shuanghui. Upon termination of the Merger Agreement under specified customary circumstances, the Company will be required to pay Shuanghui a termination fee. If the Merger Agreement is terminated in connection with the Company entering into an alternative acquisition agreement in respect of a superior proposal or making a change of recommendation, or in certain other customary circumstances, the termination fee payable by the Company to Shuanghui will be $175.0 million. Under specified circumstances, if the Company enters into a definitive agreement with a Qualified Pre-Existing Bidder with respect to an alternative acquisition proposal on or before June 27, 2013, the amount of the termination fee will instead be reduced to $75.0 million. The Merger Agreement

also provides that Shuanghui will be required to pay the Company a reverse termination fee of $275.0 million (which is not exclusive in the case of a willful breach) if the Merger Agreement is terminated under certain circumstances in connection with a willful breach by Shuanghui, termination primarily caused by the failure to obtain required US or foreign antitrust or other regulatory approvals (other than CFIUS), or termination as a result of the failure by Shuanghui to receive the proceeds of its committed debt financing and consummate the Merger.

The Merger will be financed through a combination of cash provided by Shuanghui, rollover of certain existing Company debt, as well as debt financing which has been committed by Morgan Stanley Senior Funding, Inc. and a syndicate of banks. The Merger Agreement does not contain a financing condition.

The closing of the Merger is subject to certain conditions, including, among others, approval by our shareholders, the receipt of approval under applicable US and specified foreign antitrust and anti-competition laws, and if review by CFIUS has concluded, the absence of any action by the President of the United States to block or prevent the consummation of the Merger and other customary closing conditions.

The Merger is expected to close in the second half of calendar 2013.

Kansas City Sausage, LLC

In May 2013 (fiscal 2014), we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS), for $35.0 million in cash, subject to a customary post-closing adjustment for differences between working capital at closing and an agreed-upon target. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS is a leading USsausage producer and sow processor. We intend to merge KCS's low-cost, efficient operations and high-quality products with our strong brands and sales and marketing team to continue to grow our packaged meats business. The venture will operate in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, the venture will produce premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility in the US and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With our strong ongoing focus on building our packaged meats business, and with 15% of the US sow population, this joint venture is a logical fit for the Company. It will provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and will allow us to expand our product offerings to our customers. These categories represent over $4.0 billion in retail and foodservice sales annually.

(3) The following is an extract of the audited consolidated financial statements of Smithfield for the year in the period ended April 29, 2012, which were prepared in accordance with U.S. GAAP, from the Form 10-K of Smithfield. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders of Smithfield Foods, Inc.

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of April 29, 2012 and May 1, 2011, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended April 29, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smithfield Foods, Inc. and subsidiaries at April 29, 2012 and May 1, 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 29, 2012, in conformity with US generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Smithfield Foods, Inc. and subsidiaries' internal control over financial reporting as of April 29, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 15, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia

June 15, 2012

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Fiscal Years		
	2012	**2011**	**2010**
Sales	$13,094.3	$12,202.7	$11,202.6
Cost of sales	11,544.9	10,488.6	10,472.5
Gross profit	1,549.4	1,714.1	730.1
Selling, general and administrative expenses	816.9	789.8	705.9
Gain on fire insurance recovery	—	(120.6)	—
Loss (income) from equity method investments	9.9	(50.1)	(38.6)
Operating profit	722.6	1,095.0	62.8
Interest expense	176.7	245.4	266.4
Loss on debt extinguishment	12.2	92.5	11.0
Income (loss) before income taxes	533.7	757.1	(214.6)
Income tax expense (benefit)	172.4	236.1	(113.2)
Net income (loss)	$ 361.3	$ 521.0	$ (101.4)
Net income (loss) per share:			
Basic	$ 2.23	$ 3.14	$ (.65)
Diluted	$ 2.21	$ 3.12	$ (.65)
Weighted average shares outstanding:			
Basic	162.3	166.0	157.1
Effect of dilutive shares	1.2	1.2	—
Diluted	163.5	167.2	157.1

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Fiscal Years		
	2012	**2011**	**2010**
Net income (loss)	$ 361.3	$ 521.0	$ (101.4)
Other comprehensive income (loss):			
Foreign currency translation:			
Translation adjustment	(185.7)	120.2	3.4
Tax benefit	25.9	2.9	1.5
Pension accounting:			
Net actuarial (losses) gains	(326.1)	60.8	(179.9)
Reclassification of losses into net income (loss)	23.5	38.9	20.3
Tax benefit (expense)	117.6	(37.1)	63.1
Hedge accounting:			
Net derivative gains (losses)	105.6	144.9	(26.6)
Reclassification of (gains) losses into net income (loss)	(100.9)	(26.6)	98.3
Tax expense	(1.6)	(45.7)	(19.1)
Total other comprehensive income (loss)	(341.7)	258.3	(39.0)
Total comprehensive income (loss)	$ 19.6	$ 779.3	$ (140.4)

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	April 29, 2012	May 1, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 324.3	$ 374.7
Accounts receivable, net	624.7	709.6
Inventories	2,072.4	2,019.9
Prepaid expenses and other current assets	277.6	233.7
Total current assets	3,299.0	3,337.9
Property, plant and equipment, net	2,277.2	2,309.1
Goodwill	768.2	793.3
Investments	522.6	582.5
Intangible assets, net	381.8	386.6
Other assets	173.4	202.4
Total assets	$ 7,422.2	$ 7,611.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	63.5	143.7
Accounts payable	415.8	434.4
Accrued expenses and other current liabilities	657.0	649.8
Total current liabilities	1,136.3	1,227.9
Long-term debt and capital lease obligations	1,900.9	1,978.6
Net long-term pension liability	581.9	369.6
Other liabilities	413.1	487.1
Redeemable noncontrolling interests	2.0	2.0
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized shares	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 157,408,077 and 166,080,231 issued and outstanding	78.7	83.0
Additional paid-in capital	1,561.0	1,638.7
Stock held in trust	(67.9)	(66.7)
Retained earnings	2,326.4	2,059.7
Accumulated other comprehensive loss	(510.9)	(169.2)
Total shareholders' equity	3,387.3	3,545.5
Noncontrolling interests	0.7	1.1
Total equity	3,388.0	3,546.6
Total liabilities and shareholders' equity	$ 7,422.2	$ 7,611.8

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Years		
	2012	**2011**	**2010**
Cash flows from operating activities:			
Net income (loss)	$ 361.3	$ 521.0	$ (101.4)
Adjustments to reconcile net cash flows from operating activities:			
Loss (income) from equity method investments	9.9	(50.1)	(38.6)
Depreciation and amortization	242.8	231.9	242.3
Gain on fire insurance recovery	—	(120.6)	—
Deferred income taxes	90.2	158.2	35.3
Impairment of assets	2.9	9.2	51.3
(Gain) loss on sale of property, plant and equipment, including breeding stock	(25.2)	(53.0)	22.7
Pension expense	57.2	82.0	67.3
Gain on sale of investments	—	—	(4.5)
Pension contributions	(142.8)	(128.5)	(73.9)
Changes in operating assets and liabilities and other, net:			
Accounts receivable	47.8	(63.8)	(12.6)
Inventories	(89.8)	(178.4)	46.5
Prepaid expenses and other current assets	(68.1)	132.2	(209.6)
Accounts payable	2.5	36.6	(12.6)
Accrued expenses and other current liabilities	12.6	(72.6)	160.3
Other	68.8	112.3	85.7
Net cash flows from operating activities	570.1	616.4	258.2
Cash flows from investing activities:			
Capital expenditures	(290.7)	(176.8)	(174.7)
Dispositions	—	261.5	23.3
Insurance proceeds	—	120.6	9.9
Net (additions) proceeds of breeding stock	(2.3)	26.2	(8.0)
Proceeds from sale of property, plant and equipment	6.4	22.8	11.7
Other	—	—	4.0
Net cash flows from investing activities	(286.6)	254.3	(133.8)

	Fiscal Years		
	2012	2011	2010
Cash flows from financing activities:			
Principal payments on long-term debt and capital lease obligations	(152.7)	(944.5)	(333.3)
Net (repayments) borrowings on revolving credit facilities and notes payables	(0.3)	21.6	(491.6)
Proceeds from the issuance of long-term debt	—	—	840.4
Repurchase of common stock	(189.5)	—	—
Net proceeds from the issuance of common stock and stock option exercises	1.3	1.2	296.9
Change in cash collateral	23.9	(23.9)	—
Purchase of redeemable noncontrolling interest	—	—	(38.9)
Debt issuance costs and other	(11.1)	—	(64.6)
Net cash flows from financing activities	(328.4)	(945.6)	208.9
Effect of foreign exchange rate changes on cash	(5.5)	(1.6)	(1.1)
Net change in cash and cash equivalents	(50.4)	(76.5)	332.2
Cash and cash equivalents at beginning of period	374.7	451.2	119.0
Cash and cash equivalents at end of period	$ 324.3	$ 374.7	$ 451.2

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock (Shares)	Common Stock (Amount)	Additional Paid-in Capital	Stock Held in Trust	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, May 3, 2009	143.6	$71.8	$1,353.8	$(64.8)	$1,640.1	$(388.5)	$2,612.4	$4.1	$2,616.5
Common stock issued	22.2	11.1	283.7	—	—	—	294.8	—	294.8
Issuance of common stock for share based payments	0.2	0.1	2.0	—	—	—	2.1	—	2.1
Stock compensation expense	—	—	6.6	—	—	—	6.6	—	6.6
Adjustment for redeemable noncontrolling interests	—	—	(19.4)	—	—	—	(19.4)	—	(19.4)
Purchase of stock for trust	—	—	—	(0.7)	—	—	(0.7)	—	(0.7)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(1.6)	(1.6)
Other	—	—	0.2	—	—	—	0.2	—	0.2
Comprehensive loss:									
Net (loss) income	—	—	—	—	(101.4)	—	(101.4)	0.1	(101.3)
Other comprehensive loss, net of tax	—	—	—	—	—	(39.0)	(39.0)	—	(39.0)
Balance, May 2, 2010	166.0	83.0	1,626.9	(65.5)	1,538.7	(427.5)	2,755.6	2.6	2,758.2
Issuance of common stock for share based payments	0.1	—	1.2	—	—	—	1.2	—	1.2
Stock compensation expense	—	—	11.3	—	—	—	11.3	—	11.3
Purchase of stock for trust	—	—	—	(1.2)	—	—	(1.2)	—	(1.2)
Other	—	—	(0.7)	—	—	—	(0.7)	0.4	(0.3)
Comprehensive loss:									
Net income (loss)	—	—	—	—	521.0	—	521.0	(1.9)	519.1
Other comprehensive income, net of tax	—	—	—	—	—	258.3	258.3	—	258.3
Balance, May 1, 2011	166.1	83.0	1,638.7	(66.7)	2,059.7	(169.2)	3,545.5	1.1	3,546.6
Common stock repurchased	(9.2)	(4.6)	(90.3)	—	(94.6)	—	(189.5)	—	(189.5)
Issuance of common stock for share based payments	0.5	0.3	(5.0)	—	—	—	(4.7)	—	(4.7)
Stock compensation expense	—	—	14.4	—	—	—	14.4	—	14.4
Purchase of stock for trust	—	—	—	(1.6)	—	—	(1.6)	—	(1.6)
Other	—	—	3.2	0.4	—	—	3.6	0.4	4.0
Comprehensive loss:									
Net income (loss)	—	—	—	—	361.3	—	361.3	(0.8)	360.5
Other comprehensive loss, net of tax	—	—	—	—	—	(341.7)	(341.7)	—	(341.7)
Balance, April 29, 2012	157.4	$ 78.7	$ 1,561.0	$ (67.9)	$ 2,326.4	$ (510.9)	$ 3,387.3	$ 0.7	$ 3,388.0

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, amounts presented in these notes to our consolidated financial statements for all fiscal periods included. Certain prior year amounts have been reclassified to conform to current year presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, as well as all majority-owned subsidiaries and other entities for which we have a controlling interest. Entities that are 50% owned or less are accounted for under the equity method when we have the ability to exercise significant influence. We use the cost method of accounting for investments in which our ability to exercise significant influence is limited. All intercompany transactions and accounts have been eliminated. Consolidating the results of operations and financial position of variable interest entities for which we are the primary beneficiary does not have a material effect on sales, net income (loss), or net income (loss) per diluted share, or on our financial position for the fiscal periods presented.

Foreign currency denominated assets and liabilities are translated into US dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows in foreign currencies are translated into US dollars using the average exchange rate over the course of the fiscal year. The effect of exchange rate fluctuations on the translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive loss and included in other comprehensive income (loss) for each period. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in selling, general and administrative expenses as incurred. We recorded net losses on foreign currency transactions of $7.4 million and $0.4 million in fiscal 2012 and fiscal 2011, respectively, and net gains on foreign currency transactions of $3.7 million in fiscal 2010.

Our Polish operations have different fiscal period end dates. As such, we have elected to consolidate the results of these operations on a one-month lag. We do not believe the impact of reporting the results of these entities on a one-month lag is material to the consolidated financial statements.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the US, which require us to make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Our fiscal year consists of 52 or 53 weeks and ends on the Sunday nearest April 30. Fiscal 2012, 2011 and 2010 consisted of 52 weeks.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of 90 days or less to be cash equivalents. The majority of our cash is concentrated in demand deposit accounts or money market funds. The carrying value of cash equivalents approximates market value.

In fiscal 2011, we began utilizing cash, in addition to letters of credit under our working capital facilities, as collateral for various banking and workers compensation agreements. As of April 29, 2012, we had $7.8 million of cash held as collateral by our workers compensation providers. As of May 1, 2011, we had $20.0 million on deposit with our cash management service provider, $27.2 million held by our workers compensation service providers and $3.9 million held by the counterparty of an interest rate swap contract. We have reclassified the cash on deposit with our cash management service provider to prepaid expenses and other current assets and the remaining amounts to other assets on the consolidated balance sheets as of April 29, 2012 and May 1, 2011.

Accounts Receivable

Accounts receivable are recorded net of the allowance for doubtful accounts. We regularly evaluate the collectibility of our accounts receivable based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer and historical experience. Based on our evaluation, we record reserves to reduce the related receivables to amounts we reasonably believe are collectible. Our reserve for uncollectible accounts receivable was $9.0 million and $9.2 million as of April 29, 2012 and May 1, 2011, respectively.

Inventories

Inventories consist of the following:

	April 29, 2012	May 1, 2011
	(in millions)	
Livestock	$ 962.8	$ 963.9
Fresh and packaged meats	912.1	854.1
Grains	90.4	89.8
Manufacturing supplies	59.1	60.0
Other	48.0	52.1
Total inventories	$ 2,072.4	$ 2,019.9

Livestock are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of livestock that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh and packaged meats are valued based on USDA and other market prices and adjusted for the cost of further processing. Costs for packaged products include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies are principally ingredients and packaging materials.

Derivative Financial Instruments and Hedging Activities

See Note 5—Derivative Financial Instruments for our policy.

Property, Plant and Equipment, Net

Property, plant and equipment is generally stated at historical cost, which includes the then fair values of assets acquired in business combinations, and depreciated on a straight-line basis over the estimated useful lives of the assets. Assets held under capital leases are classified in property, plant and equipment, net and amortized over the lease term. The amortization of assets held under capital leases is included in depreciation expense. The cost of assets held under capital leases was $34.0 million and $37.4 million at April 29, 2012 and May 1, 2011, respectively. The assets held under capital leases had accumulated amortization of $1.7 million and $3.7 million at April 29, 2012 and May 1, 2011, respectively. Depreciation expense is included in either cost of sales or selling, general and administrative expenses, as appropriate. Depreciation expense totaled $238.6 million, $227.4 million and $236.9 million in fiscal 2012, 2011 and 2010, respectively.

Interest is capitalized on property, plant and equipment over the construction period. Total interest capitalized was $2.8 million, $1.6 million and $2.8 million in fiscal 2012, 2011 and 2010, respectively.

Property, plant and equipment, net, consists of the following:

	Useful Life	April 29, 2012	May 1, 2011
	(in Years)	*(in millions)*	
Land and improvements	0-20	$ 268.9	$ 271.7
Buildings and improvements	20-40	1,690.6	1,717.8
Machinery and equipment	5-25	1,780.6	1,714.0
Breeding stock	2	182.1	159.3
Computer hardware and software	3-5	148.4	137.1
Other	3-10	89.1	53.2
Construction in progress		110.2	133.6
		4,269.9	4,186.7
Accumulated depreciation		(1,992.7)	(1,877.6)
Property, plant and equipment, net		$ 2,277.2	$ 2,309.1

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows.

Goodwill and indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or sooner if impairment indicators arise. In the evaluation of goodwill for impairment, we may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, a prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

The first step in the two-step impairment test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is estimated by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples is dependent upon assumptions regarding future levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. When estimating future discounted cash flows, we consider the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on an industry-wide average cost of capital or location-specific economic factors. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Based on the results of our annual goodwill impairment tests, as of our testing date, no impairment indicators were noted for all the periods presented.

The carrying amount of goodwill includes cumulative impairment losses of $6.0 million as of April 29, 2012 and May 1, 2011.

Intangible assets consist of the following:

	Useful Life *(in Years)*	April 29, 2012	May 1, 2011
		(in millions)	
Amortized intangible assets:			
Customer relations assets	15-16	$ 13.3	$ 13.3
Patents, rights and leasehold interests	5-25	11.8	11.8
Contractual relationships	22	33.1	33.1
Accumulated amortization		(22.6)	(19.6)
Amortized intangible assets, net		35.6	38.6
Unamortized intangible assets:			
Trademarks	Indefinite	340.1	341.9
Permits	Indefinite	6.1	6.1
Intangible assets, net		$ 381.8	$ 386.6

The fair values of trademarks are calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. If the carrying value of our indefinite-lived intangible assets exceeds their fair value, an impairment loss is recognized in an amount equal to that excess. Intangible assets with finite lives are reviewed for recoverability when indicators of impairment are present using estimated future undiscounted cash flows related to those assets. We have determined that no impairments of our intangible assets existed for any of the periods presented.

Amortization expense for intangible assets was $3.0 million, $3.2 million and $3.1 million in fiscal 2012, 2011 and 2010, respectively. As of April 29, 2012, the estimated amortization expense associated with our intangible assets for each of the next five fiscal years is expected to be $2.6 million.

Debt Issuance Costs, Premiums and Discounts

Debt issuance costs, premiums and discounts are amortized into interest expense over the terms of the related loan agreements using the effective interest method or other methods which approximate the effective interest method.

Investments

See Note 6—Investments for our policy.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. We accrue interest and penalties related to unrecognized tax benefits as other liabilities and recognize the related expense as income tax expense.

Pension Accounting

We recognize the funded status of our defined benefit pension plans in the consolidated balance sheets. We also recognize in other comprehensive income, the net of tax results of the gains or losses and prior service costs or credits that arise during the period but are not recognized in net periodic benefit cost. These amounts are adjusted out of accumulated other comprehensive loss as they are subsequently recognized as components of net periodic benefit cost.

We measure our pension and other postretirement benefit plan obligations and related plan assets as of the last day of our fiscal year. The measurement of our pension obligations and related costs is dependent on the use of assumptions and estimates. These assumptions include discount rates, salary growth, mortality rates and expected returns on plan assets. Changes in assumptions and future investment returns could potentially have a material impact on our expenses and related funding requirements.

Self-Insurance Programs

We are self-insured for certain levels of general and vehicle liability, property, workers' compensation, product recall and health care coverage. The cost of these self-insurance programs is accrued based upon estimated settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current period earnings.

Contingent Liabilities

We are subject to lawsuits, investigations and other claims related to the operation of our farms, labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees.

A determination of the amount of accruals and disclosures required, if any, for these contingencies is made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is at least reasonably possible or probable.

Our contingent liabilities contain uncertainties because the eventual outcome will result from future events. Our determination of accruals and any reasonably possible losses in excess of those accruals require estimates and judgments related to future changes in facts and circumstances, interpretations of the law, the amount of damages or fees, and the effectiveness of strategies or other factors beyond our control. If actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Revenue Recognition

We recognize revenues from product sales upon delivery to customers or when title passes. Revenue is recorded at the invoice price for each product net of estimated returns and sales incentives provided to customers. Sales incentives include various rebate and trade allowance programs with our customers, primarily discounts and rebates based on achievement of specified volume or growth in volume levels.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred except for certain production costs, which are expensed upon the first airing of the advertisement. Promotional sponsorship costs are expensed as the promotional events occur. Advertising costs totaled $122.9 million, $120.1 million and $111.3 million in fiscal 2012, 2011 and 2010, respectively, and were included in selling, general and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are reported as a component of cost of sales.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $75.9 million, $47.0 million and $38.8 million in fiscal 2012, 2011 and 2010, respectively.

Net Income (Loss) per Share

We present dual computations of net income (loss) per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the potentially dilutive effect of common stock equivalents, such as stock options and convertible notes, during the period. We excluded stock options for approximately 1.7 million, 1.8 million and 1.7 million shares in fiscal 2012, 2011 and 2010, respectively, from the diluted computation because their effect would have been anti-dilutive.

NOTE 2: NEW ACCOUNTING GUIDANCE

In September 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, the previously prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any. We adopted this new guidance in conjunction with our annual goodwill impairment analysis during the fourth quarter of fiscal 2012. The adoption of this guidance did not have an impact our consolidated financial statements.

In June 2011, FASB issued new accounting guidance related to the presentation of comprehensive income. The new guidance provides companies the choice of presenting items of net income, items of other comprehensive income (OCI) and total comprehensive income in one continuous statement of comprehensive income or two separate consecutive statements. Companies will no longer have the option to present OCI solely in the statement of stockholders' equity. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The guidance is required to be applied retrospectively upon adoption and early adoption is permitted. We adopted this new guidance during the fourth quarter of fiscal 2012. The adoption of this guidance did not have an impact our consolidated financial statements.

NOTE 3: IMPAIRMENT AND DISPOSAL OF LONG-LIVED ASSETS

Portsmouth, Virginia Plant

In November 2011 (fiscal 2012), we announced that we would shift the production of hot dogs and lunch meat from The Smithfield Packing Company, Inc.'s (Smithfield Packing) Portsmouth, Virginia plant to our Kinston, North Carolina plant and

permanently close the Portsmouth facility. The Kinston facility will be expanded to handle the additional production and will incorporate state of the art technology and equipment, which is expected to produce significant production efficiencies and cost reductions. The Kinston expansion will require an estimated $85 million in capital expenditures. The expansion of the Kinston facility and the closure of the Portsmouth facility are expected to be completed by the end of fiscal 2013.

As a result of this decision, we performed an impairment analysis of the related assets at the Portsmouth facility in the second quarter of fiscal 2012 and determined that the net cash flows expected to be generated over the anticipated remaining useful life of the plant are sufficient to recover its book value. As such, no impairment exists. However, we have revised depreciation estimates to reflect the use of the related assets at the Portsmouth facility over their shortened useful lives. As a result, we recognized accelerated depreciation charges of $3.3 million in cost of sales during fiscal 2012. We expect to recognize accelerated depreciation charges totaling $4.7 million during fiscal 2013. Also, in connection with this decision, we wrote-down inventory by $0.8 million in cost of sales and accrued $0.6 million for employee severance in selling, general and administrative expenses in the second quarter of fiscal 2012. All of these charges are reflected in the Pork segment.

Hog Farms

Texas

In the first quarter of fiscal 2010, we ceased hog production operations and closed the farms related to our Dalhart, Texas operation. In connection with this event, we recorded an impairment charge of $23.6 million to write-down the assets to their estimated fair value of $20.9 million. The estimate of fair value was based on our assessment of the facts and circumstances at the time of the write-down, which indicated that the highest and best use of the assets by a market participant was for crop farming. The estimated fair value was determined using the initial valuation of the property in connection with our acquisition of the farms, relevant market data based on recent transactions for similar real property and third party estimates.

In January 2011 (fiscal 2011), we sold land included in our Dalhart, Texas operation to a crop farmer for net proceeds of $9.1 million and recognized a loss on the sale of $1.8 million in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. Also, in January 2011 (fiscal 2011), we received a non-binding letter of intent from a prospective buyer for the purchase of our remaining Dalhart, Texas assets. The prospective buyer had indicated that it intended to utilize the farms for hog production after reconfiguring the assets to meet their specific business purposes. In April 2011 (fiscal 2011), we completed the sale of the remaining Dalhart, Texas assets and received net proceeds of $32.5 million. As a result of the sale, we recognized a gain of $13.6 million in selling, general and administrative expenses in our Hog Production segment in the fourth quarter of fiscal 2011, after allocating $8.5 million in goodwill to the asset group. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Oklahoma and Iowa

In January 2011 (fiscal 2011), we completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, we received total net proceeds of $70.4 million and recognized gains totaling $6.9 million, after allocating $17.0 million of goodwill to these asset groups. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The gains were recorded in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Missouri

In the first quarter of fiscal 2010, we entered into negotiations to sell certain hog farms located in Missouri, which we believed would result in a completed sale within the subsequent twelve month period. We recorded total impairment charges of $10.5 million, including a $6.0 million allocation of goodwill, in the first quarter of fiscal 2010 to write-down the hog farm assets to their estimated fair value. The impairment charges were recorded in cost of sales in the Hog Production segment. We

determined the fair value of the assets by probability-weighting an estimated range of sales proceeds based on price negotiations between us and the prospective buyer, which included consideration of recent market multiples. We allocated goodwill to the asset disposal group based on its estimated fair value relative to the estimated fair value of our domestic hog production reporting unit. In the third quarter of fiscal 2010, negotiations for the sale of these properties stalled indefinitely as we were unwilling to meet certain demands of the prospective buyer. These properties are classified as held and used in the consolidated balance sheets as of April 29, 2012 and May 1, 2011, as it is not probable that a sale of these properties will occur and be completed within one year.

In the first half of fiscal 2011, we began reducing the hog population on certain other hogs farms in Missouri in order to comply with an amended consent decree. The amended consent decree allows us to return the farms to full capacity upon the installation of an approved "next generation" technology that would reduce the level of odor produced by the farms. The reduced hog raising capacity at these farms was replaced with third party contract farmers in Iowa. In the first quarter of fiscal 2011, in connection with the anticipated reduction in finishing capacity, we performed an impairment analysis of these hog farms and determined that the book value of the assets was recoverable and thus, no impairment existed.

Based on the favorable hog raising performance experienced with these third party contract farmers and the amount of capital required to install "next generation" technology at our Missouri farms, we made the decision in the first quarter of fiscal 2012 to permanently idle certain of the assets on these farms. Depreciation estimates were revised to reflect the shortened useful lives of the assets. As a result, we recognized accelerated depreciation charges of $8.2 million in fiscal 2012. These charges are reflected in the Hog Production segment.

Butterball, LLC (Butterball)

In June 2010 (fiscal 2011), we announced that we had made an offer to purchase our joint venture partner's 51% ownership interest in Butterball and our partner's related turkey production assets. In accordance with Butterball's operating agreement, our partner had to either accept the offer to sell or be required to purchase our 49% interest and our related turkey production assets, which we refer to below as our turkey operations.

In September 2010 (fiscal 2011), we were notified of our joint venture partner's decision to purchase our 49% interest in Butterball and our related turkey production assets. In December 2010 (fiscal 2011), we completed the sale of these assets for $167.0 million and recognized a gain of $0.2 million. The gain was calculated as the cash selling price, net of costs to sell, less the carrying amount of the asset disposal group. The operating results and cash flows from our turkey operations were not considered material for separate disclosure.

Sioux City, Iowa Plant

In January 2010 (fiscal 2010), we announced that we would close our fresh pork processing plant located in Sioux City, Iowa. The Sioux City plant was one of our oldest and least efficient plants. The plant design severely limited our ability to produce value-added packaged meats products and maximize production throughput. A portion of the plant's production was transferred to other nearby Smithfield plants. We closed the Sioux City plant in April 2010 (fiscal 2010).

As a result of the planned closure, we recorded charges of $13.1 million in fiscal 2010. These charges consisted of $3.6 million for the write-down of long-lived assets, $2.5 million of unusable inventories and $7.0 million for estimated severance benefits pursuant to contractual and ongoing benefit arrangements. Substantially all of these charges were recorded in cost of sales in the Pork segment.

RMH Foods, LLC (RMH)

In October 2009 (fiscal 2010), we entered into an agreement to sell substantially all of the assets of RMH, a subsidiary within the Pork segment. As a result of this sale, we recorded pre-tax charges totaling $3.5 million, including $0.5 million of goodwill impairment, in cost of sales in the Pork segment in fiscal 2010 to write-down the assets of RMH to their fair values. In December 2009 (fiscal 2010), we completed the sale of RMH for $9.1 million, plus $1.4 million of liabilities assumed by the buyer.

NOTE 4: HOG PRODUCTION COST SAVINGS INITIATIVE

In fiscal 2010, we announced a plan to improve the cost structure and profitability of our domestic hog production operations (the Cost Savings Initiative). The plan includes a number of undertakings designed to improve operating efficiencies and productivity. These consist of farm reconfigurations and conversions, termination of certain high cost, third party hog grower contracts and breeding stock sourcing contracts, as well as a number of other cost reduction activities. We expect the activities associated with the Cost Savings Initiative to be substantially complete by the end of fiscal 2013.

The following presents the cumulative expenses incurred in each of the last three fiscal years related to the Cost Savings Initiative by major type of cost. All of the charges presented have been recorded in cost of sales in the Hog Production segment.

There are no significant expenses remaining and there were no accrued liabilities for charges incurred under the Cost Savings Initiative as of April 29, 2012.

	Fiscal Years			
	2012	**2011**	**2010**	**Cumulative**
	(in millions)			
Cost savings activities:				
Contract terminations	$ 0.5	$ 19.4	$ 2.8	$ 22.7
Other associated costs	2.5	6.9	—	9.4
Accelerated depreciation	0.1	1.7	3.8	5.6
Impairment	—	—	2.5	2.5
Total charges	$ 3.1	$ 28.0	$ 9.1	$ 40.2

In addition to the charges presented in the table above, we expect capital expenditures associated with the Cost Savings Initiative to total approximately $86 million. As of April 29, 2012 we had incurred $77.2 million in capital expenditures.

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn and soybean meal, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also periodically enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the “hedge accounting” method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the “mark-to-market” method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

We do not offset the fair value of derivative instruments with cash collateral held with or received from the same counterparty under a master netting arrangement. As of April 29, 2012, prepaid expenses and other current assets included $4.6 million representing cash on deposit with brokers to cover losses on our open derivative instruments and accrued expenses and other current liabilities included $14.1 million representing cash deposits received from brokers to cover gains on our open derivative instruments. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements. Additionally, certain of our derivative contracts contain credit risk related contingent features, which would require us to post additional cash collateral to cover net losses on open derivative instruments if our credit rating was downgraded. As of April 29, 2012, the net liability position of our open derivative instruments that are subject to credit risk related contingent features was not material.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties under financial instruments. Although our counterparties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counterparties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit exposure to non-exchange traded derivatives. Determination of the credit quality of our counterparties is based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of April 29, 2012, we had credit exposure of $10.6 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, we had no significant credit exposure as of April 29, 2012. No significant concentrations of credit risk existed as of April 29, 2012.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. All grain contracts, livestock contracts and foreign exchange contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated balance sheets, as appropriate. Interest rate contracts are recorded in other liabilities.

The following table presents the fair values of our open derivative financial instruments in the consolidated balance sheets on a gross basis.

	Assets		Liabilities	
	April 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
	(in millions)		(in millions)	
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 35.3	$ 46.2	$ 9.6	$ 4.8
Livestock contracts	22.9	22.9	—	29.5
Interest rate contracts	—	—	—	2.3
Foreign exchange contracts	1.9	0.2	—	—
Total	60.1	69.3	9.6	36.6
Derivatives using the "mark-to-market" method:				
Grain contracts	9.1	38.3	1.0	4.7
Livestock contracts	7.4	1.7	7.2	8.0
Energy contracts	—	1.0	12.2	0.1
Foreign exchange contracts	2.4	0.3	0.7	1.9
Total	18.9	41.3	21.1	14.7
Total fair value of derivative instruments	$ 79.0	$ 110.6	$ 30.7	$ 51.3

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn and soybean meal. In addition, we enter into interest rate swaps to manage our exposure to changes in interest rates associated with our variable interest rate debt, and we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. As of April 29, 2012, we had no cash flow hedges for forecasted transactions beyond September 2013.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

During fiscal 2012, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	26,705,000	56,230,000	Bushels
Soybean meal	223,700	877,722	Tons
Lean Hogs	271,000,000	960,360,000	Pounds
Interest rate	—	200,000,000	US Dollars
Foreign currency[1]	20,634,871	60,895,614	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the effects on our consolidated financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the fiscal years indicated:

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)			Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(in millions)			*(in millions)*			*(in millions)*		
Commodity contracts:									
Grain contracts	$ 5.5	$ 232.9	$ (4.0)	$ 75.1	$ 80.7	$ (85.4)	$ (0.2)	$ 1.9	$ (7.2)
Lean hog contracts	102.8	(82.8)	(22.8)	32.3	(44.5)	1.9	(0.5)	(1.0)	(0.5)
Interest rate contracts	—	(1.2)	(4.6)	(2.4)	(7.0)	(6.8)	—	—	—
Foreign exchange contracts	(2.5)	(4.1)	6.1	(4.1)	(2.6)	(8.0)	—	—	—
Total	$ 105.8	$ 144.8	$ (25.3)	$ 100.9	$ 26.6	$ (98.3)	$ (0.7)	$ 0.9	$ (7.7)

For the fiscal periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial.

During fiscal 2012 and 2011, we discontinued cash flow hedge accounting on certain grain contracts as it became probable that the original forecasted transactions would not transpire. As a result of this change, the table above for fiscal 2012 includes gains of $12.0 million on grain contracts de-designated from hedging relationships that were reclassified from accumulated other comprehensive loss into earnings in fiscal 2012. The related impact of discontinued cash flow hedges in fiscal 2011 was immaterial.

As of April 29, 2012, there were deferred net gains of $51.2 million, net of tax of $32.0 million, in accumulated other comprehensive loss. We expect to reclassify $37.6 million ($23.0 million net of tax) of the deferred net gains on closed commodity contracts into earnings in fiscal 2013. We are unable to estimate the gains or losses to be reclassified into earnings in fiscal 2013 related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts.

During fiscal 2012, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	**Maximum**	**Metric**
Commodities:			
Lean hogs	—	221,680,000	Pounds
Corn	2,245,000	7,250,000	Bushels

The following table presents the effects on our consolidated statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the fiscal years indicated:

	Gain (Loss) Recognized in Earnings on Derivative			**Gain (Loss) Recognized in Earnings on Related Hedged Item**		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
	(in millions)			*(in millions)*		
Commodity contracts	$ 21.9	$ (4.2)	$ (36.2)	$ (16.7)	$ 5.4	$ 32.4
Interest rate contracts	—	—	0.6	—	—	(0.6)
Foreign exchange contracts	—	—	3.4	—	—	(1.5)
Total	$ 21.9	$ (4.2)	$ (32.2)	$ (16.7)	$ 5.4	$ 30.3

We recognized gains of $6.0 million in fiscal 2012 and losses of $24.9 million and $3.1 million in fiscal 2011 and fiscal 2010, respectively, on closed commodity derivative contracts as the underlying cash transactions affected earnings.

For fair value hedges of hog inventory, we elect to exclude from the assessment of effectiveness differences between the spot and futures prices. These differences are recorded directly into earnings as they occur. These differences resulted in gains of $5.1 million and $0.2 million in fiscal 2012 and fiscal 2011, respectively, and losses of $4.4 million in fiscal 2010.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in cost of sales for commodity contracts, and selling, general and administrative expenses for interest rate contracts and foreign exchange contracts.

During fiscal 2012, the range of notional volumes associated with open derivative instruments using the “mark-to-market” method was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	400,000	334,320,000	Pounds
Corn	4,985,000	22,810,000	Bushels
Soybean meal	—	249,000	Tons
Soybeans	210,000	775,000	Bushels
Wheat	—	1,820,000	Bushels
Live cattle	—	120,000	Pounds
Natural gas	1,750,000	11,260,000	Million BTU
Heating oil	—	1,008,000	Gallons
Crude oil	—	53,000	Barrels
Foreign currency(1)	29,400,715	140,191,820	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the amount of gains (losses) recognized in the consolidated statements of income on derivative instruments using the “mark-to-market” method by type of derivative contract for the fiscal years indicated:

	Fiscal Years		
	2012	2011	2010
		(in millions)	
Commodity contracts	$ 6.4	$ 63.4	$ (92.4)
Foreign exchange contracts	7.7	(9.0)	(11.1)
Total	$ 14.1	$ 54.4	$ (103.5)

The table above reflects gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within a fiscal year. The table includes amounts for both realized and unrealized gains and losses. The table is not, therefore, a simple representation of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 6: INVESTMENTS

Investments consist of the following:

Equity Investment	Segment	% Owned	April 29, 2012	May 1, 2011
			(in millions)	
Campofrio Food Group (CFG)	International	37%	$ 385.2	$ 445.1
Mexican joint ventures	International	50%	111.2	110.2
All other equity method investments	Various	Various	26.2	27.2
Total investments			$ 522.6	$ 582.5

We record our share of earnings and losses from our equity method investments in loss (income) from equity method investments. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated financial statements. Each quarter, we review the carrying value of our investments and consider whether indicators of impairment exist. Examples of impairment indicators include a history or expectation of future operating losses and declines in a quoted share price, among other factors. If an impairment indicator exists, we must evaluate the fair value of our investment to determine if a loss in value, which is other than temporary, has occurred. If we consider any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment to its estimated fair value would be recorded. We have determined that no write-down was necessary for all periods presented.

As of April 29, 2012, we held 37,811,302 shares of CFG common stock. Shares of CFG are publicly traded on the Bolsa de Madrid exchange (Madrid Exchange). However, we do not believe the quoted share price on the Madrid Exchange is, by itself, reflective of the fair value of our investment in CFG for the following reasons:

- the minority shares traded on the Madrid Exchange confer no special rights or privileges to buyers. In contrast, the shares comprising our 37% stake in CFG contractually entitle us to two seats on CFG's 9 -person board of directors, giving us the ability to exert significant influence over the strategic and operational decisions of our investee.

- the stock is very thinly traded. CFG is a closely held company, with the three largest shareholders owning approximately 74% of the outstanding shares. We are CFG's largest shareholder, with a 37% stake.

  The average daily trading volume during the fourth quarter of fiscal 2012 represents just 0.009% of the total outstanding shares (average trading volume of 9,800 shares while the total number of shares outstanding is in excess of 102 million). The lack of an active market can cause significant fluctuations and volatility in the stock price that are not commensurate with fundamental changes in the underlying business and the fair value of our holding in CFG. Shares trading on the Madrid Exchange have ranged from a high of €9.28 ($13.77) to a low €5.28 ($7.35) per share during fiscal 2012, with fluctuations in between.

The table below shows CFG's intra-day high share price and Smithfield's carrying value, expressed in euro per share, on various dates relevant to our disclosures.

Date	Share Price	Carrying Value
February 17, 2012	€7.20	€7.54
April 29, 2012[1]	€6.30	€7.70

(1) Share prices on year-end dates reflect the last trading day in the fiscal year.

As the table above shows, the carrying value of our investment in CFG was above the quoted market price on the Madrid Exchange at the end of fiscal 2012, indicating a possible impairment of our investment in CFG. However, as noted above, we do not consider the share price on the Madrid Exchange, by itself, to be determinative of fair value.

In assessing the fair value of our investment, we considered a variety of information, including an independent third party valuation report, which incorporates generally accepted valuation techniques, CFG's history of positive cash flows, expectations about the future cash flows of CFG, market multiples for comparable businesses, and an influence premium applied to the market price of CFG's shares on the Madrid Exchange to adjust for our contractual right to two board seats and our ability to exert significant influence over the operational and strategic decisions of the company.

Based on an evaluation of all these factors, we concluded the fair value of our investment in CFG, as of April 29, 2012, exceeded its carrying amount.

Loss (income) from equity method investments consists of the following:

		Fiscal Years		
Equity Investment	**Segment**	**2012**	**2011**	**2010**
			(in millions)	
CFG [1]	International	$ 25.0	$ (17.0)	$ (4.5)
Mexican joint ventures	International	(13.4)	(29.6)	(13.2)
Butterball [2]	Other	—	(1.3)	(18.8)
All other equity method investments	Various	(1.7)	(2.2)	(2.1)
Loss (income) from equity method investments		$ 9.9	$ (50.1)	$ (38.6)

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

(2) In the third quarter of fiscal 2011, we completed the sale of Butterball. See Note 3—Impairment and Disposal of Long-lived Assets for further discussion.

CFG

In December 2011 (fiscal 2012), the board of CFG approved a multi-year plan to consolidate and streamline its manufacturing operations to improve operating efficiencies and increase utilization (the CFG Consolidation Plan). The CFG Consolidation Plan includes the disposal of certain assets, employee redundancy costs and the contribution of CFG's French cooked ham business into a newly formed joint venture. As a result, we recorded our share of CFG's charges totaling $38.7 million in loss (income) from equity method investments within the International segment in fiscal 2012.

In fiscal 2010, as part of a debt restructuring, CFG redeemed certain of its debt instruments and, as a result, we recorded $10.4 million of charges in loss (income) from equity method investments.

The following summarized financial information for CFG is based on CFG's financial statements and translated into US Dollars:

		Fiscal Years	
	2012	**2011**	**2010**
		(in millions)	
Income statement information:			
Sales	$ 2,536.1	$ 2,433.3	$ 2,593.8
Gross profit	583.0	423.0	559.6
Net income (loss)	(71.2)	46.1	12.9

	April 29, 2012	May 1, 2011
	(in millions)	
Balance sheet information:		
Current assets	$ 944.5	$1,025.6
Long-term assets	1,930.4	1,856.1
Current liabilities	941.9	874.1
Long-term liabilities	1,168.1	990.9

Farasia Corporation (Farasia)

In November 2009 (fiscal 2010), we completed the sale of our investment in Farasia, a 50/50 Chinese joint venture formed in 2001, for RMB 97.0 million ($14.2 million at the time of the transaction). We recorded, in selling, general and administrative expenses, a $4.5 million pre-tax gain on the sale of this investment.

NOTE 7: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	April 29, 2012	May 1, 2011
	(in millions)	
Payroll and related benefits	$ 233.5	$ 256.1
Customer incentives	81.7	82.9
Insurance reserves	63.3	58.5
Accrued interest	41.9	47.4
Other	236.6	204.9
Total accrued expenses and other current liabilities	$ 657.0	$ 649.8

NOTE 8: DEBT

Long-term debt consists of the following:

	April 29, 2012	May 1, 2011
	(in millions)	
10% senior secured notes, due July 2014, including unamortized discounts of $7.0 million and $11.2 million	$ 357.4	$ 412.9
10% senior secured notes, due July 2014, including unamortized premiums of $4.4 million and $6.1 million	229.4	231.1
7.75% senior unsecured notes, due July 2017	500.0	500.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $26.8 million and $47.3 million	373.2	352.7
7.75% senior unsecured notes, due May 2013	160.0	160.0
7% senior unsecured notes, due August 2011, including unamortized premiums of $0.2 million	—	78.0
Floating rate senior secured term loan, due June 2016	200.0	200.0
Various, interest rates from 0% to 7.47%, due May 2012 through March 2017	117.3	160.0
Total debt	1,937.3	2,094.7
Current portion	(62.5)	(143.2)
Total long-term debt	$ 1,874.8	$ 1,951.5

Scheduled maturities of long-term debt are as follows:

Fiscal Year	(in millions)
2013	$ 62.5
2014	553.2
2015	604.3
2016	39.6
2017	177.7
Thereafter	500.0
Total debt	$ 1,937.3

Working Capital Facilities

In June 2011 (fiscal 2012), we refinanced our asset-based revolving credit agreement totaling $1.0 billion that supported short-term funding needs and letters of credit (the ABL Credit Facility) into two separate facilities: (1) an inventory-based revolving credit facility totaling $925.0 million, with an option to expand up to $1.2 billion (the Inventory Revolver), and (2) an accounts receivable securitization facility totaling $275.0 million (the Securitization Facility). We may request working capital loans and letters of credit under both facilities. As a result of the refinancing, we recognized a loss on debt extinguishment of $1.2 million in the first quarter of fiscal 2012 for the write-off of unamortized debt issuance costs associated with the ABL Credit Facility.

Availability under the Inventory Revolver is a function of the level of eligible inventories, subject to reserves. The Inventory Revolver matures in June 2016. However, it will mature on March 15, 2014 if the outstanding principal balance of our 2014 Notes, net of the amount of cash in excess of $75 million, exceeds $300 million on that date. The unused commitment fee and the interest rate spreads are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). As of April 29, 2012, the unused commitment fee and interest rate were 0.375% and LIBOR plus 2.5%, respectively. The Inventory Revolver includes financial covenants. The ratio of our funded debt to capitalization (as defined in the Second Amended and Restated Credit Agreement) may not exceed 0.5 to 1.0, and our EBITDA to interest expense ratio (as defined in the Second Amended and Restated Credit Agreement) may not be less than 2.5 to 1.0. Obligations under the Inventory Revolver are guaranteed by our material US subsidiaries and are secured by (i) a first priority lien on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property, and certain equity interests (the Inventory Revolver Collateral), and (ii) a second priority lien on substantially all of the guarantors' real property, fixtures and equipment (the Non-Inventory Revolver Collateral). We incurred approximately $9.7 million in transaction fees in connection with the Inventory Revolver, which are being amortized over its five-year life.

The term of the Securitization Facility is three years. As part of the arrangement, all accounts receivable of our major Pork segment subsidiaries 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 our consolidated financial statements and therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should we become insolvent. As of April 29, 2012, the SPV held $390.3 million of accounts receivable and we had no outstanding borrowings on the Securitization Facility.

The unused commitment fee and the interest rate spreads under the Securitization Facility are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). As of April 29, 2012, the unused commitment fee and interest rate were 0.375% and the lender's cost of funds of 0.28% plus 1.25%, respectively. We incurred approximately $1.3 million in transaction fees in connection with the Securitization Facility, which are being amortized over its three-year life.

As of April 29, 2012, we had aggregate credit facilities and credit lines totaling $1.3 billion. Our unused capacity under these credit facilities and credit lines was $1.1 billion. These facilities and lines are generally at prevailing market rates. We pay commitment fees on the unused portion of the facilities.

Average borrowings under credit facilities and credit lines were $99.8 million, $81.6 million and $163.7 million at average interest rates of 4.9%, 4.8% and 4.9% during fiscal 2012, 2011 and 2010, respectively. Maximum borrowings were $245.3 million, $256.9 million and $609.3 million in fiscal 2012, 2011 and 2010, respectively. Total outstanding borrowings were $64.9 million as of April 29, 2012 and $76.9 million as of May 1, 2011 with average interest rates of 5.7% and 5.2%, respectively.

Rabobank Term Loan

In June 2011 (fiscal 2012), we refinanced our $200.0 million term loan (the Rabobank Term Loan). As a result, the maturity date changed from August 29, 2013 to June 9, 2016. We are obligated to repay $25.0 million of the principal under the Rabobank Term Loan on June 9, 2015. We may elect to prepay the loan at any time, subject to the payment of certain prepayment fees in respect of any voluntary prepayment prior to June 9, 2013 and other customary breakage costs. Interest accrues, at our option, at LIBOR plus 3.75% or a base rate (the greater of Rabobank's prime rate and the Federal funds rate plus 0.5%) plus 2.75%. Obligations under the Rabobank Term Loan are guaranteed by our material US subsidiaries and are secured by a first priority lien on the Non-Inventory Revolver Collateral and a second priority lien on the Inventory Revolver Collateral.

2014 Notes

In July 2009 (fiscal 2010), we issued $625 million aggregate principal amount of 10% senior secured notes at a price equal to 96.201% of their face value. In August 2009 (fiscal 2010), we issued an additional $225 million aggregate principal amount of 10% senior secured notes at a price equal to 104% of their face value, plus accrued interest from July 2, 2009 to August 14, 2009. Collectively, these notes, which mature in July 2014 are referred to as the "2014 Notes".

The 2014 Notes are guaranteed by substantially all of our US subsidiaries. The 2014 Notes are secured by first-priority liens on the Non-Inventory Revolver Collateral and by second-priority liens on the Inventory Revolver Collateral.

The 2014 Notes will rank equally in right of payment to all of our existing and future senior debt and senior in right of payment to all of our existing and future subordinated debt. The guarantees will rank equally in right of payment with all of the guarantors' existing and future senior debt and senior in right of payment to all of the guarantors' existing and future subordinated debt. In addition, the 2014 Notes are structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Debt Extinguishments

2011 Notes

During fiscal 2011, we repurchased $522.2 million of our 7% senior unsecured notes due August 2011 (2011 Notes) for $543.1 million and recognized losses on debt extinguishment of $21.4 million, including the write-off of related unamortized premiums and debt costs.

During fiscal 2012, we redeemed the remaining $77.8 million of our 7% senior unsecured notes due August 2011.

2013 Notes and 2014 Notes

In January 2011 (fiscal 2011), we commenced a Dutch auction cash tender offer to purchase for $450.0 million in cash (the January Tender Offer) the maximum aggregate principal amount of our outstanding 7.75% senior unsecured notes due May

2013 (2013 Notes) and our outstanding 10% senior secured notes due July 2014 (2014 Notes). As a result of the January Tender Offer, we paid $450.0 million to repurchase 2013 Notes and 2014 Notes with face values of $190.0 million and $200.9 million, respectively, and recognized losses on debt extinguishment of $71.1 million in the fourth quarter of fiscal 2011, including the write-off of related unamortized discounts and debt costs.

During fiscal 2012, we repurchased $59.7 million of our 2014 Notes for $68.3 million and recognized losses on debt extinguishment of $11.0 million, including the write-off of related unamortized discounts and debt costs.

Credit Facilities

In fiscal 2010, we recognized $11.0 million of losses on debt extinguishment related to the termination of various debt agreements, including our then existing $1.3 billion secured revolving credit agreement (the US Credit Facility) and €300 million European secured revolving credit facility.

Convertible Notes

In July 2008 (fiscal 2009), we issued $400 million aggregate principal amount of 4% convertible senior notes due June 30, 2013 (the Convertible Notes) in a registered offering. The Convertible Notes are senior unsecured obligations. The Convertible Notes are payable with cash and, at certain times, are convertible into shares of our common stock based on an initial conversion rate, subject to adjustment, of 44.082 shares per $1,000 principal amount of Convertible Notes (which represents an initial conversion price of approximately $22.68 per share). Upon conversion, a holder will receive cash up to the principal amount of the Convertible Notes and shares of our common stock for the remainder, if any, of the conversion obligation.

Prior to April 1, 2013, holders may convert their notes into cash and shares of our common stock, if any, at the applicable conversion rate under the following circumstances:

- during any fiscal quarter if the last reported sale price of our common stock is greater than or equal to 120% of the applicable conversion price for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- during the five business-day period after any ten consecutive trading-day period in which the trading price per $1,000 principal amount of notes was less than 98% of the last reported sale price of our common stock multiplied by the applicable conversion rate; or
- upon the occurrence of specified corporate transactions.

On or after April 1, 2013, holders may convert their Convertible Notes at any time prior to the close of business on the third scheduled trading day immediately preceding the maturity date, regardless of the foregoing circumstances.

On the date of issuance of the Convertible Notes, our nonconvertible debt borrowing rate was determined to be 10.2%. Based on that rate of interest, the equity component of the Convertible Notes was determined to be $95.8 million.

In connection with the issuance of the Convertible Notes, we entered into separate convertible note hedge transactions with respect to our common stock to reduce potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions (collectively referred to as the Call Spread Transactions). We purchased call options that permit us to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment, which is the number of shares initially issuable upon conversion of the Convertible Notes. In addition, we sold warrants permitting the purchasers to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment. See Note 13—Equity for more information on the Call Spread Transactions.

NOTE 9: LEASE OBLIGATIONS, COMMITMENTS AND GUARANTEES

Lease Obligations

We lease facilities and equipment under non-cancelable operating leases. The terms of each lease agreement vary and may contain renewal or purchase options. Rental payments under operating leases are charged to expense on the straight-line basis over the period of the lease. Rental expense under operating leases of real estate, machinery, vehicles and other equipment was $46.5 million, $42.3 million and $49.3 million in fiscal 2012, 2011 and 2010, respectively.

Future rental commitments under non-cancelable operating leases as of April 29, 2012 are as follows:

	(in millions)
Fiscal Year	
2013	$ 41.5
2014	29.4
2015	22.7
2016	17.6
2017	14.2
Thereafter	43.6
Total	$ 169.0

As of April 29, 2012, future minimum lease payments under capital leases were approximately $27.6 million. The present value of the future minimum lease payments was $27.1 million. The long-term portion of capital lease obligations was $26.1 million and $27.1 million as of April 29, 2012 and May 1, 2011, respectively, and the current portion was $1.0 million and $0.5 million as of April 29, 2012 and May 1, 2011, respectively.

Commitments

We have agreements, expiring through fiscal 2022, to use cold storage warehouses owned by partnerships, of which we are 50% partners. We have agreed to pay prevailing competitive rates for use of the facilities, subject to aggregate guaranteed minimum annual fees. In fiscal 2012, 2011 and 2010, we paid $14.0 million, $18.2 million and $19.7 million, respectively, in fees for use of the facilities. We had investments in the partnerships of $2.2 million as of April 29, 2012, and $2.3 million as of May 1, 2011, respectively.

We have purchase commitments with certain livestock producers that obligate us to purchase all the livestock that these producers deliver. Other arrangements obligate us to purchase a fixed amount of livestock. We also use independent farmers and their facilities to raise hogs produced from our breeding stock in exchange for a performance-based service fee payable upon delivery. We estimate the future obligations under these commitments based on available commodity livestock futures prices and internal projections about future hog prices, expected quantities delivered and anticipated performance. Our estimated future obligations under these commitments are as follows:

	(in millions)
Fiscal Year	
2013	$ 1,814.7
2014	1,194.0
2015	1,126.2
2016	892.6
2017	878.8

As of April 29, 2012, we were also committed to purchase approximately $228.7 million under forward grain contracts payable in fiscal 2013.

As of April 29, 2012, we had total estimated remaining capital expenditures of $101.8 million on approved projects. These projects are expected to be funded with cash flows from operations and/or borrowings under credit facilities.

Guarantees

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated balance sheets as of April 29, 2012. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

We (together with our joint venture partners) guarantee financial obligations of certain unconsolidated joint ventures. The financial obligations are: up to $87.0 million of debt borrowed by Agroindustrial del Noroeste (Norson), of which $58.0 million was outstanding as of April 29, 2012, and up to $3.5 million of liabilities with respect to currency swaps executed by another of our unconsolidated Mexican joint ventures, Granjas Carroll de Mexico. The covenants in the guarantee relating to Norson's debt incorporate our covenants under the Inventory Revolver. In addition, we continue to guarantee a lease obligation of $11.3 million that was assumed by JBS in connection with the sale of Smithfield Beef, Inc. This lease guarantee may remain in place until the lease expires in February 2022.

NOTE 10: INCOME TAXES

Income tax expense (benefit) consists of the following:

	Fiscal Years		
	2012	**2011**	**2010**
		(in millions)	
Current income tax expense (benefit):			
Federal	$ 72.7	$ 57.6	$ (150.2)
State	8.4	17.2	2.5
Foreign	1.1	3.1	(0.8)
	82.2	77.9	(148.5)
Deferred income tax expense (benefit):			
Federal	82.1	128.3	55.0
State	11.2	24.2	(23.1)
Foreign	(3.1)	5.7	3.4
	90.2	158.2	35.3
Total income tax expense (benefit)	$ 172.4	$ 236.1	$ (113.2)

A reconciliation of taxes computed at the federal statutory rate to the provision for income taxes is as follows:

	Fiscal Years		
	2012	**2011**	**2010**
Federal income taxes at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	2.1	3.4	6.5
Foreign income taxes	(0.2)	(1.2)	9.6
Unremitted earnings	2.6	—	—
Net change in uncertain tax positions	(2.4)	(0.3)	(1.3)
Net change in valuation allowance	(0.9)	(3.4)	(0.4)
Tax credits	(1.0)	(1.1)	2.3
Manufacturer's deduction	(1.7)	(1.8)	—
Adjustment to goodwill	—	2.0	1.0
Other	(1.2)	(1.4)	—
Effective tax rate	32.3%	31.2%	52.7%

The unremitted earnings impact to the effective tax rate resulted primarily from the CFG Consolidation Plan.

We had income taxes receivable of $101.7 million as of April 29, 2012 in prepaid expenses and other current assets and income taxes payable of $18.8 million as of May 1, 2011 in accrued expenses and other current liabilities.

The tax effects of temporary differences consist of the following:

	April 29, 2012	May 1, 2011
	(in millions)	
Deferred tax assets:		
Pension liabilities	$ 256.4	$ 138.6
Tax credits, carryforwards and net operating losses	85.6	96.8
Accrued expenses	53.2	41.7
Employee benefits	—	11.1
Other	30.8	39.6
	426.0	327.8
Valuation allowance	(54.6)	(66.8)
Total deferred tax assets	$ 371.4	$ 261.0
Deferred tax liabilities:		
Property, plant and equipment	$ 385.6	$ 337.4
Intangible assets	125.8	108.5
Derivatives	31.9	44.7
Employee benefits	13.7	—
Investments in subsidiaries	44.6	53.5
Total deferred tax liabilities	$ 601.6	$ 544.1

The following table presents the classification of deferred taxes in our balance sheets as of April 29, 2012 and May 1, 2011:

	April 29, 2012	May 1, 2011
	(in millions)	
Other current assets	*$57.4*	*$39.3*
Other assets	3.2	5.6
Accrued expenses and other current liabilities	—	3.9
Other liabilities	290.8	324.1

Management makes an assessment to determine if its deferred tax assets are more likely than not to be realized. Valuation allowances are established in the event that management believes the related tax benefits will not be realized. The valuation allowance primarily relates to state credits, state net operating loss carryforwards and losses in foreign jurisdictions for which no tax benefit was recognized. During fiscal 2012, the valuation allowance decreased by $12.2 million resulting primarily from currency translation and deferred tax adjustments with an immaterial amount impacting the effective tax rate.

The tax credits, carryforwards and net operating losses expire from fiscal 2013 to 2032.

There were foreign subsidiary net earnings that were considered permanently reinvested of $123.6 million and $97.8 million as of April 29, 2012 and May 1, 2011, respectively. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested.

A reconciliation of the beginning and ending liability for unrecognized tax benefits is as follows:

	(in millions)
Balance, May 2, 2010	$ 43.2
Additions for tax positions taken in the current year	4.9
Additions for tax positions taken in prior years	0.9
Settlements with taxing authorities	(7.3)
Lapse of statute of limitations	(8.1)
Balance, May 1, 2011	33.6
Additions for tax positions taken in the current year	2.4
Reduction for tax positions taken in prior years	(10.8)
Settlements with taxing authorities	(9.3)
Lapse of statute of limitations	(0.6)
Balance, April 29, 2012	$ 15.3

We operate in multiple taxing jurisdictions, both within the US and outside of the US, and are subject to examination from various tax authorities. The liability for unrecognized tax benefits included $4.7 million and $10.4 million of accrued interest as of April 29, 2012 and May 1, 2011, respectively. We recognized $3.5 million and $0.1 million of net interest income during fiscal 2012 and 2011, respectively, and $0.4 million of net interest expense during fiscal 2010 in income tax expense (benefit). The liability for unrecognized tax benefits included $14.1 million as of April 29, 2012 and $32.6 million as of May 1, 2011, that if recognized, would impact the effective tax rate.

We are currently being audited in several tax jurisdictions and remain subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, we may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. We have concluded all US federal income tax matters through fiscal 2010. We are currently in appeals for the 2011 tax year and under U.S federal examination for the 2012 tax year.

Based upon the expiration of statutes of limitations and/or the conclusion of tax examinations in several jurisdictions as of April 29, 2012, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by up to $2.0 million within twelve months of April 29, 2012.

NOTE 11: PENSION AND OTHER RETIREMENT BENEFIT PLANS

Company Sponsored Defined Benefit Pension Plans

We provide the majority of our US employees with pension benefits. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

The following table presents a reconciliation of the pension benefit obligation, plan assets and the funded status of these pension plans.

	April 29, 2012	May 1, 2011
	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,329.9	$1,283.9
Service cost	37.4	37.0
Interest cost	75.9	74.9
Benefits paid	(63.2)	(69.3)
Actuarial loss	229.1	1.0
Other	1.5	2.4
Benefit obligation at end of year	1,610.6	1,329.9
Change in plan assets: [(1)]		
Fair value of plan assets at beginning of year	956.4	788.7
Actual return on plan assets	(16.0)	125.8
Employer contributions	142.8	95.1
Benefits paid	(59.7)	(56.2)
Other	—	3.0
Fair value of plan assets at end of year	1,023.5	956.4
Funded status	$ (587.1)	$ (373.5)
Amounts recognized in the consolidated balance sheet:		
Net long-term pension liability	$ (581.9)	$ (369.6)
Accrued expenses and other current liabilities	(5.2)	(4.5)
Other assets	—	0.6
Net amount recognized at end of year	$ (587.1)	$ (373.5)

(1) Excludes the assets and related activity of our non-qualified defined benefit pension plans. The fair value of assets related to our non-qualified plans was $107.1 million and $117.7 million as of April 29, 2012 and May 1, 2011, respectively. We made cash contributions of $33.4 million in fiscal 2011. In fiscal 2011, we also contributed company-owned life insurance policies with cash surrender values totaling $29.4 million on the date of contribution. We made no contributions to our non-qualified plans in fiscal 2012. Benefits paid for our non-qualified plans were $3.5 million and $13.1 million for fiscal 2012 and fiscal 2011, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $1.5 billion and $1.3 billion as of April 29, 2012 and May 1, 2011, respectively. The accumulated benefit obligation for all of our defined benefit pension plans exceeded the fair value of plan assets for both periods presented.

The following table shows the pre-tax unrecognized items included as components of accumulated other comprehensive loss related to our defined benefit pension plans as of the dates indicated.

	April 29, 2012	May 1, 2011
	(in millions)	
Unrecognized actuarial loss	$(665.4)	$(365.3)
Unrecognized prior service credit	4.7	7.2

We expect to recognize $52.9 million of the actuarial loss and prior service cost as net periodic pension cost in fiscal 2013.

The following table presents the components of the net periodic pension costs for the periods indicated:

	Fiscal Years		
	2012	2011	2010
		(in millions)	
Service cost	$ 37.4	$ 37.0	$ 22.6
Interest cost	75.9	74.9	73.7
Expected return on plan assets	(79.6)	(63.9)	(49.3)
Net amortization	23.5	34.0	20.3
Net periodic pension cost	$ 57.2	$ 82.0	$ 67.3

The following table shows our weighted-average assumptions for the periods indicated.

	Fiscal Years		
	2012	2011	2010
Discount rate to determine net periodic benefit cost	5.85%	6.00%	8.25%
Discount rate to determine benefit obligation	4.75	5.85	6.00
Expected long-term rate of return on plan assets	7.75	8.00	8.25
Rate of compensation increase	4.00	4.00	4.00

We use an independent third-party actuary to assist in the determination of assumptions used and the measurement of our pension obligation and related costs. We review and select the discount rate to be used in connection with our pension obligation annually. In determining the discount rate, we use the yield on corporate bonds (rated AA or better) that coincides with the cash flows of the plans' estimated benefit payouts. The model uses a yield curve approach to discount each cash flow of the liability stream at an interest rate specifically applicable to the timing of each respective cash flow. Using imputed interest rates, the model sums the present value of each cash flow stream to calculate an equivalent weighted average discount rate. We use this resulting weighted average discount rate to determine our final discount rate.

To determine the expected long-term return on plan assets, we consider the current and anticipated asset allocations, as well as historical and estimated returns on various categories of plan assets. Long-term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary polices in order to assess the capital market assumptions. Over the 5-year period ended April 29, 2012 and May 1, 2011, the average rate of return on plan assets was approximately 1.40% and 3.87% percent, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. Our investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. 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 our plan trustees.

The following table presents the fair value of our qualified pension plan assets by major asset category as of April 29, 2012 and May 1, 2011. The allocation of our pension plan assets is based on the target range presented in the following table.

	April 29, 2012	May 1, 2011	Target Range
	(in millions)		
Asset category:			
Cash and cash equivalents, net of unsettled transactions	$ 24.7	$ 83.9	0-4%
Equity securities	427.0	570.5	30-50%
Debt securities	495.2	266.6	35-55%
Alternative assets	76.6	35.4	5-20%
Total	$ 1,023.5	$ 956.4	

See Note 14—Fair Value Measurements for additional information about the fair value of our pension assets.

As of April 29, 2012 and May 1, 2011, the amount of our common stock included in plan assets was 4,154,344 and 4,757,066 shares, respectively, with market values of $88.2 million and $112.1 million, respectively.

We generally contribute the minimum amount required under government regulations to our qualified pension plans, plus amounts necessary to maintain an 80% funded status in order to avoid benefit restrictions under the Pension Protection Act. Minimum employer contributions to our qualified pension plans are expected to be $44.8 million for fiscal 2013.

Expected future benefit payments for our defined benefit pension plans are as follows:

	(in millions)
Fiscal Year	
2013	$ 69.2
2014	72.3
2015	75.6
2016	79.5
2017	83.3
2018-2022	476.3

Multiemployer Defined Benefit Pension Plans

In addition to the Company sponsored defined benefit pension plans, we contribute to several multiemployer defined benefit pension plans under collective bargaining agreements that cover certain of our union-represented employees. The risks of participating in such plans are different from the risks of single-employer plans, in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan may be borne by the remaining participating employers.
- If we were to withdraw from a multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan and on the history of our participation in the plan prior to withdrawal. This is referred to as a withdrawal liability.

Each multiemployer plan in which we participate has a certified zone status as currently defined by the Pension Protection Act of 2006. The zone status is based on information provided to us and other participating employers by each plan and is certified by the plan's actuary. The following are descriptions of the zone status types based on criteria established under the Internal Revenue Code (IRC):

- *"Red" Zone*—Plan has been determined to be in "critical status" and is generally less than 65% funded. A rehabilitation plan, as required under the IRC, must be adopted by plans in the "red" zone. Plan participants may be responsible for the payment of surcharges, in addition to the contribution rate specified in the applicable collective bargaining agreement, for a plan in "critical status," in accordance with the requirements of the IRC.
- *"Yellow" Zone*—Plan has been determined to be in "endangered status" and is generally less than 80% funded. A funding improvement plan, as required under the IRC, must be adopted.
- *"Green" Zone*—Plan has been determined to be neither in "critical status" nor in "endangered status," and is generally at least 80% funded.

All plans in which we participate were in the "green" zone for the two most recent benefit plan years that have been certified.

The following table summarizes our contributions to multiemployer plans[1].

Plan	EIN / PN[2]	Fiscal Years 2012	2011	2010	Expiration Dates of Collective Bargaining Agreements
			(in millions)		
United Food and Commercial Workers International Union Industry Pension Fund	51-6055922/ 001	$ 1.1	$ 1.4	$ 1.7	Multiple [3]
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/ 001	0.2	0.2	0.2	October 2013
IAM National Pension Fund National Pension Plan	51-6031295/ 002	0.1	0.1	0.1	February 2014
Total contributions to multiemployer plans		$ 1.4	$ 1.7	$ 2.0	

(1) Contributions represent the amounts we contributed to the plans during the fiscal periods ending in the specified year. Our contributions to each plan did not exceed 5% of total plan contributions for any plan year presented.

(2) Represents the Employer Identification Number and the three-digit plan number assigned to a plan by the Internal Revenue Service.

(3) We have multiple collective bargaining agreements associated with the United Food and Commercial Workers International Union Industry Pension Fund. These agreements are currently scheduled to expire in May 2012, December 2013, January 2014 and October 2015.

Other Employee Benefit Plans

We sponsor defined contribution pension plans (401(k) plans) covering substantially all US employees. Our contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were $13.9 million for each of the last three fiscal years.

We also provide health care and life insurance benefits for certain retired employees. These plans are unfunded and generally pay covered costs reduced by retiree premium contributions, co-payments and deductibles. We retain the right to modify or eliminate these benefits. We consider disclosures related to these plans immaterial to the consolidated financial statements and related notes.

NOTE 12: REDEMPTION OF NONCONTROLLING INTERESTS

Prior to fiscal 2010, we held a 51% ownership interest in Premium Pet Health, LLC (PPH), a leading protein by-product processor that supplies many of the leading pet food processors in the United States. The partnership agreement afforded the noncontrolling interest holders an option to require us to redeem their ownership interests beginning in November 2009 (fiscal 2010). The redemption value was determinable from a specified formula based on the earnings of PPH.

In fiscal 2010, as a result of discussions with the noncontrolling interest holders, we determined that the noncontrolling interests were probable of becoming redeemable. As such, in fiscal 2010, we recorded an adjustment to increase the carrying amount of the redeemable noncontrolling interests by $32.2 million with an offsetting decrease of $19.4 million to additional paid-in capital and $12.8 million to deferred tax assets.

In November 2009 (fiscal 2010), the noncontrolling interest holders exercised their put option. In December 2009 (fiscal 2010), we acquired the remaining 49% interest in PPH for $38.9 million. Because PPH was previously consolidated into our financial statements, the acquisition of the remaining 49% interest in PPH was accounted for as an equity transaction.

NOTE 13: EQUITY

Share Repurchase Program

In June 2011 (fiscal 2012), we announced that our board of directors had approved a share repurchase program authorizing us to buy up to $150.0 million of our common stock over the subsequent 24 months (the Share Repurchase Program). This authorization replaced our previous share repurchase program.

In September 2011 (fiscal 2012), our board of directors approved an increase of $100.0 million to the authorized amount under the Share Repurchase Program. Share repurchases may be made on the open market or in privately negotiated transactions. The number of shares repurchased, and the timing of any buybacks, depend on corporate cash balances, business and economic conditions and other factors, including investment opportunities. The Share Repurchase Program may be discontinued at any time.

In connection with the Share Repurchase Program, we entered into an agreement with a broker (the Trading Plan) which authorized it to purchase our common stock on our behalf based on certain parameters, in accordance with the applicable requirements of Rule 10b5-1(c)(1)(i) and Rule 10b-18 under the Securities Exchange Act of 1934.

During fiscal 2012, we repurchased 9,176,704 shares of our common stock for $189.5 million, including related fees. The price of the repurchased shares has been allocated between common stock, additional paid-in capital and retained earnings in our consolidated balance sheet in accordance with applicable accounting guidance. Subsequent to April 29, 2012 and through June 13, 2012, our broker purchased on our behalf an additional 2,618,785 shares of our common stock under the Trading Plan for $52.2 million, including related fees. All share repurchases were funded from cash on hand.

See Note 20—Subsequent Event for additional discussion of share repurchase authorization.

Preferred Stock

We have 1,000,000 shares of $1.00 par value preferred stock authorized, none of which are issued. The board of directors is authorized to issue preferred stock in series and to fix, by resolution, the designation, dividend rate, redemption provisions, liquidation rights, sinking fund provisions, conversion rights and voting rights of each series of preferred stock.

Stock-Based Compensation

During fiscal 2009, we adopted the 2008 Incentive Compensation Plan (the Incentive Plan), which replaced the 1998 Stock Incentive Plan and provides for the issuance of non-statutory stock options and other awards to employees, non-employee directors and consultants. There are 12,543,397 shares reserved under the Incentive Plan. As of April 29, 2012, there were 8,850,128 shares available for grant under this plan.

Stock Options

Under the Incentive Plan, we grant options for periods not exceeding 10 years, which either cliff vest five years after the date of grant or vest ratably over a three-year period with an exercise price of not less than 100% of the fair market value of the common stock on the date of grant. Compensation expense for stock options was $6.1 million, $3.8 million and $3.5 million for fiscal 2012, 2011 and 2010, respectively. The related income tax benefit recognized was $2.4 million, $1.5 million and $1.4 million, for fiscal 2012, 2011 and 2010, respectively. There was no compensation expense capitalized as part of inventory or fixed assets during fiscal 2012, 2011 and 2010.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The expected annual volatility is based on the historical volatility of our stock and other factors. We use historical data to estimate option exercises and employee termination within the pricing model. The expected term of options granted represents the period of time that options are expected to be outstanding. The following table summarizes the assumptions made in determining the fair value of stock options granted in the fiscal years indicated:

	Fiscal Years		
	2012	**2011**	**2010**
Expected annual volatility	55%	54%	52%
Dividend yield	—%	—%	—%
Risk free interest rate	1.11%	1.62%	1.92%
Expected option life (years)	4	4	4

The options granted in fiscal 2012, 2011 and 2010 were valued in separate tranches according to the expected life of each tranche. The above table reflects the weighted average risk free interest rate and expected option life of each tranche. The expected annual volatility and dividend yield were the same for all options granted in fiscal 2012, 2011 and 2010. We have never paid a cash dividend on our common stock.

The following table summarizes stock option activity under the Incentive Plan as of April 29, 2012, and changes during the year then ended:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value (in millions)**
Outstanding as of May 1, 2011	2,476,606	21.44		
Granted	769,000	21.94		
Exercised	(364,986)	19.26		
Forfeited	(54,004)	23.09		
Outstanding as of April 29, 2012	2,826,616	21.82	3.9	$ 6.9
Exercisable as of April 29, 2012	1,154,286	23.30	4.9	$ 3.4

The weighted average grant-date fair value of options granted during fiscal 2012, 2011 and 2010 was $9.36, $6.61 and $5.62, respectively. The total intrinsic value of options exercised during fiscal 2012, 2011 and 2010 was $0.9 million, $0.4 million and $1.0 million, respectively.

As of April 29, 2012, there was $4.6 million of total unrecognized compensation cost related to nonvested stock options granted under the Incentive Plan. That cost is expected to be recognized over a weighted average period of 1.3 years. The total fair value of stock options vested during fiscal 2012, 2011 and 2010 was $5.7 million, $1.9 million and $2.4 million, respectively.

Performance Share Units

The Incentive Plan also provides for the issuance of performance share units to reward employees for the achievement of performance goals. Each performance share unit represents and has a value equal to one share of our common stock. Payment of vested performance share units is generally in our common stock.

In June 2011 (fiscal 2012), we granted a total of 395,000 performance share units under the Incentive Plan. These performance share units vest ratably over a two-year service period provided that we achieve a certain earnings target in either fiscal 2012 or fiscal 2013, which we achieved in fiscal 2012. The fair value of these performance share units was determined based on our closing stock price on the date of grant of $20.57. The fair value is being recognized over the expected vesting period of each award.

In June 2010 (fiscal 2011) and June 2011 (fiscal 2012), we granted a number of performance share units to certain employees in our Pork Group. The actual number of performance share units were based on the achievement of certain sales volume growth targets for the Pork segment in fiscal 2011 and fiscal 2012, respectively. All of these awards were forfeited as the sales volume growth targets were not met.

In June 2010 (fiscal 2011), we granted a total of 370,000 performance share units under the Incentive Plan. These performance share units vest ratably over a two-year service period provided that we achieve a certain earnings target in either fiscal 2011 or fiscal 2012, which we achieved in fiscal 2011. The fair value of these performance share units was determined based on our closing stock price on the date of grant of $17.57. The fair value is being recognized over the expected vesting period of each award.

In December 2009 (fiscal 2010), we granted a total of 100,000 performance share units under the Incentive Plan. These performance share units vested in December 2011 (fiscal 2012). The fair value of these performance share units was determined based on our closing stock price on the date of grant of $16.68. The fair value of each performance share unit was recognized as compensation expense over the two-year requisite service period.

In July 2009 (fiscal 2010), we granted a total of 622,000 performance share units under the Incentive Plan. These performance share units vest ratably over a three-year service period provided that we achieve a certain earnings target in any of fiscal years 2010, 2011 or 2012, which we achieved in fiscal 2011. The fair value of these performance share units was determined based on our closing stock price on the date of grant of $10.64. The fair value is being recognized over the expected vesting period each award.

In fiscal 2009, we granted a total of 160,000 performance share units. The performance share units have a five-year term and each performance share unit represents and has a value equal to one share of our common stock. The performance share units vest in 20% increments once the volume-weighted average of the closing price of our common stock for 15 consecutive trading days equals or exceeds $26, $32, $38, $44 and $50. In addition to these vesting requirements, a participant must generally be employed by us one year from the date of grant for the performance share units granted to such participant to vest. Payment of the vested performance share units shall be in our common stock. The fair value of the performance share units was estimated on the date of grant using a Monte-Carlo Simulation technique. The weighted average grant-date fair value of the performance share units was $12.13.

The number of performance share units outstanding as of April 29, 2012 was 901,500. The number of performance share units that vested during fiscal 2012 and fiscal 2011 was 429,833 and 253,167, respectively. Compensation expense related to all outstanding performance share units was $8.3 million, $7.5 million and $3.1 million in fiscal 2012, 2011 and 2010, respectively. The related income tax benefit recognized was $3.2 million, $2.9 million and $1.2 million for fiscal 2012, 2011 and 2010, respectively. As of April 29, 2012, there was approximately $3.4 million of total unrecognized compensation cost related to the performance share units, substantially all of which is expected to be recognized in fiscal 2013.

Executive Stock Purchase Plan

As part of the Incentive Plan, we maintain a nonqualified deferred compensation plan that permits executive officers to voluntarily defer up to 25% of the payouts under their annual cash incentive awards beginning with fiscal 2012 in exchange for a performance award payable in the form of Company stock at such time in the future as elected by the officers, but not less than three years from the end of the performance period. The Company will provide a 100% match to the officers' deferral in the form of restricted stock under the Incentive Plan. The match is subject to three-year cliff vesting and will be forfeited if the officer voluntarily terminates employment before vesting.

We recognized compensation expense of $4.9 million in fiscal 2012 for the portion of cash incentive awards that were subsequently exchanged for performance awards in the first quarter of fiscal 2013. We expect to recognize the Company match of $3.9 million for these awards over the three-year vesting period beginning in the first quarter of fiscal 2013.

Call Spread Transactions

In connection with the issuance of the Convertible Notes (see Note 8—Debt), we entered into separate convertible note hedge transactions with respect to our common stock to minimize the impact of potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions.

We purchased call options in private transactions that permit us to acquire up to approximately 17.6 million shares of our common stock at an initial strike price of $22.68 per share, subject to adjustment, for $88.2 million. In general, the call options allow us to acquire a number of shares of our common stock initially equal to the number of shares of common stock issuable to the holders of the Convertible Notes upon conversion. These call options will terminate upon the maturity of the Convertible Notes.

We also sold warrants in private transactions for total proceeds of approximately $36.7 million. The warrants permit the purchasers to acquire up to approximately 17.6 million shares of our common stock at an initial exercise price of $30.54 per share, subject to adjustment. The warrants expire on various dates from October 2013 (fiscal 2014) to December 2013 (fiscal 2014).

The Call Spread Transactions, in effect, increase the initial conversion price of the Convertible Notes from $22.68 per share to $30.54 per share, thus reducing the potential future economic dilution associated with conversion of the notes. The Convertible Notes and the warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

We have analyzed the Call Spread Transactions and determined that they meet the criteria for classification as equity instruments. As a result, we recorded the purchase of the call options as a reduction to additional paid-in capital and the proceeds of the warrants as an increase to additional paid-in capital. Subsequent changes in fair value of those instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

Stock Held in Trust

We maintain a non-qualified defined Supplemental Pension Plan (the Supplemental Plan) the purpose of which is to provide supplemental retirement income benefits for those eligible employees whose benefits under the tax-qualified plans are subject to statutory limitations. A grantor trust has been established for the purpose of satisfying the obligations under the plan. As of April 29, 2012, the Supplemental Plan held 2,616,687 shares of our common stock at an average cost of $23.75.

As part of the Incentive Plan director fee deferral program, we purchase shares of our common stock on the open market for the benefit of the plan's participants. These shares are held in a rabbi trust until they are transferred to the participants. As of April 29, 2012, the rabbi trust held 291,635 shares of our common stock at an average cost of $19.72.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income consists of the following:

	April 29, 2012	May 1, 2011
	(in millions)	
Foreign currency translation	$ (159.4)	$ 0.4
Pension accounting	(402.7)	(217.7)
Hedge accounting	51.2	48.1
Accumulated other comprehensive loss	$ (510.9)	$ (169.2)

NOTE 14: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data that we believe are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

We have classified assets and liabilities measured at fair value based on the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of April 29, 2012 and May 1, 2011:

	April 29, 2012				May 1, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				(in millions)			
Assets								
Derivatives:								
Commodity contracts	$ 52.0	$ 1.3	$ —	$ 53.3	$ 45.2	$ 34.6	$ —	$ 79.8
Foreign exchange contracts	—	4.3	—	4.3	—	0.5	—	0.5
Open-ended mutual funds	12.2	—	—	12.2	17.4	—	—	17.4
Insurance contracts	—	51.3	—	51.3	—	49.4	—	49.4
Total	$ 64.2	$ 56.9	$ —	$ 121.1	$ 62.6	$ 84.5	$ —	$ 147.1
Liabilities								
Derivatives:								
Commodity contracts	$ —	$ 8.6	$ —	$ 8.6	$ 16.8	$ —	$ —	$ 16.8
Interest rate contracts	—	—	—	—	—	2.3	—	2.3
Foreign exchange contracts	—	0.7	—	0.7	—	1.9	—	1.9
Total	$ —	$ 9.3	$ —	$ 9.3	$ 16.8	$ 4.2	$ —	$ 21.0

The following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value on a recurring basis:

- *Derivatives*—Derivatives classified within Level 1 are valued using quoted market prices. In some cases where quoted market prices are not available, we value the derivatives using pricing models based on the net present value of estimated future cash flows to calculate fair value, in which case the measurements are classified within Level 2. These valuation models make use of market-based observable inputs, including market prices and rates, yield curves, credit curves, and measures of volatility.

- *Open-ended mutual funds*—Open-ended mutual funds are valued at their net asset value (NAV), which approximates fair value, and classified as Level 1.

- *Insurance contracts*—Insurance contracts are valued at their cash surrender value using the daily asset unit value (AUV) which is based on the quoted market price of the underlying securities and classified within Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. During fiscal 2012 and fiscal 2011, we had no significant assets or liabilities that were measured and recorded at fair value on a nonrecurring basis.

Pension Plan Assets

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of April 29, 2012 and May 1, 2011:

	April 29, 2012				May 1, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				*(in millions)*			
Cash and cash equivalents	$ 22.4	$ —	$ —	$ 22.4	$ 3.0	$ 87.5	$ —	$ 90.5
Equity securities:								
Preferred stock	—	0.5	—	0.5	—	0.3	—	0.3
US common stock:								
Health care	22.7	—	—	22.7	32.0	—	—	32.0
Utilities	—	—	—	—	3.8	—	—	3.8
Financial	16.6	—	—	16.6	41.0	—	—	41.0
Consumer staples	102.4	—	—	102.4	128.1	—	—	128.1
Consumer discretionary	23.0	—	—	23.0	32.3	—	—	32.3
Materials	6.3	—	—	6.3	14.6	—	—	14.6
Energy	11.4	—	—	11.4	30.0	—	—	30.0
Information technology	31.4	—	—	31.4	34.2	—	—	34.2
Industrials	9.4	—	—	9.4	38.5	—	—	38.5
Telecommunication service	9.5	—	—	9.5	2.1	—	—	2.1
International common stock	103.6	—	—	103.6	23.0	—	—	23.0
Mutual funds:								
International	—	30.1	—	30.1	42.9	45.0	—	87.9
Domestic small cap	—	19.8	—	19.8	—	—	—	—
Domestic large cap	—	2.5	—	2.5	—	70.0	—	70.0
Balanced	—	37.8	—	37.8	32.7	—	—	32.7
Fixed income:								
Mutual funds	—	11.3	—	11.3	108.9	1.5	—	110.4
Asset-backed securities	—	92.0	—	92.0	—	69.5	—	69.5
Corporate debt securities	—	285.5	—	285.5	—	44.4	—	44.4
Government debt securities	—	106.4	—	106.4	32.9	9.4	—	42.3
Limited partnerships	—	—	75.0	75.0	—	—	33.6	33.6
Insurance contracts	—	—	1.6	1.6	—	—	1.8	1.8
Total fair value	$ 358.7	$ 585.9	$ 76.6	1,021.2	$ 600.0	$ 327.6	$ 35.4	963.0
Unsettled transactions, net				2.3				(6.6)
Total plan assets				$ 1,023.5				$ 956.4

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents—*Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their NAV, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities—*When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and mutual funds not actively traded.

- *Fixed income—*When available, the fair value of fixed income instruments are based on quoted prices in active markets and classified as Level 1. Level 1 fixed income instruments include mutual funds and government debt securities.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these fixed income instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 fixed income instruments include mutual funds, asset-backed securities, corporate debt securities and government debt securities.

- *Limited partnerships—*The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilizing available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts—*The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

The following table summarizes the changes in our Level 3 pension plan assets for the year-ended April 29, 2012 and May 1, 2011:

	Insurance Contracts	Limited Partnerships
	(in millions)	
Balance, May 2, 2010	$ 1.8	$ 29.2
Actual return on plan assets:		
Related to assets held at the reporting date	—	1.2
Related to assets sold during the period	—	1.3
Purchases, sales and settlements, net	—	1.9
Balance, May 1, 2011	1.8	33.6
Actual return on plan assets:		
Related to assets held at the reporting date	—	(2.7)
Related to assets sold during the period	—	1.6
Purchases, sales and settlements, net	(0.2)	42.5
Balance, April 29, 2012	$ 1.6	$ 75.0

Other Financial Instruments

We determine the fair value of public debt using Level 2 inputs based on quoted market prices. The carrying amount of all other debt approximates fair value as those instruments are based on variable interest rates. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of April 29, 2012 and May 1, 2011.

	April 29, 2012		May 1, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(in millions)			
Total Debt	$2,176.5	$1,937.3	$2,418.0	$2,094.7

The carrying amounts of cash and cash equivalents, accounts receivable, notes payable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 15: RELATED PARTY TRANSACTIONS

The following table presents amounts owed from and to related parties as of April 29, 2012 and May 1, 2011:

	April 29, 2012	May 1, 2011
	(in millions)	
Current receivables from related parties	$ 6.6	$ 10.2
Long-term receivables from related parties	—	2.8
Total receivables from related parties	$ 6.6	$ 13.0
Current payables to related parties	$ 7.1	$ 9.6
Long-term payables to related parties	—	—
Total payables to related parties	$ 7.1	$ 9.6

Wendell Murphy, a director of ours, or his immediate family members hold ownership interests in Arrowhead Farms, Inc., BAZ, LLC, Crusader Farms, LLC, DM Farms, LLC, Enviro-Tech Farms, Inc., Golden Farms, Inc., Ironside Investment Management, LLC, Lisbon 1 Farm, Inc. (Lisbon), Murphy Family Ventures, Murphy-Honour Farms, Inc., Murphy Milling Company, Quarter M Ranch, Inc., PSM Associates LLC, Pure Country Farms, LLC, Stantonsburg Farm, Inc., Triumph Associates, LLC, and Webber Farms, Inc. A vice president of our Hog Production segment also holds an ownership interest in Lisbon. These farms either produce hogs for us or produce and sell feed ingredients to us. In fiscal 2012, 2011 and 2010, we paid $52.2 million, $70.4 million and $53.4 million, respectively, to these entities for hogs, feed ingredients and reimbursement of associated farm and other support costs.

The chief executive officer and a vice president of our Hog Production segment hold ownership interests in JCT LLC (JCT). JCT owns certain farms that produce hogs under contract with the Hog Production segment. In fiscal 2012, 2011 and 2010, we paid $7.9 million, $7.8 million and $8.0 million, respectively, to JCT for the production of hogs. In fiscal 2012, 2011 and 2010, we received $3.1 million, $3.3 million and $3.1 million, respectively, from JCT for reimbursement of associated farm and other support costs.

One of our vice presidents of the Hog Production segment has an ownership interest in Seacoast, LLC and is the sole owner of Advantage Farms, LLC. Another vice president of our Hog Production segment is the sole owner of Old Oak Farms LLC. These companies produce and raise hogs for us under contractual arrangements that are consistent with third party grower contracts. In fiscal 2012, 2011 and 2010, we paid service fees of $1.5 million, $1.7 million and $1.6 million, respectively, to these companies. In fiscal 2012, 2011 and 2010, we received $0.4 million, $0.5 million and $0.5 million, respectively, from these companies for reimbursement of associated farm and other support costs.

We believe that the terms of the foregoing arrangements were no less favorable to us than if entered into with unaffiliated companies.

NOTE 16: REGULATION AND CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

Missouri Litigation

Premium Standard Farms, Inc. (PSF), the Company and certain of our other subsidiaries and affiliates are parties to litigation in Missouri involving a number of claims alleging that hog farms owned or under contract with the defendants interfered with the plaintiffs' use and enjoyment of their properties. Additional supplemental information regarding these claims is found in "Item 3. Legal Proceedings—Missouri Litigation."

During fiscal 2012 and continuing in the first quarter of fiscal 2013, we engaged in global settlement negotiations with counsel representing nearly all of the plaintiffs in the nuisance litigation and numerous carriers of commercial general liability and pollution liability policies. The parties to the litigation have made substantial progress toward consummation of a global settlement that would resolve the vast majority of the nuisance litigation. However, there are significant contingencies that must be fulfilled before the settlement is consummated, and we cannot make any assurance that those contingencies will be satisfied. In addition, we have agreements with the insurance carriers under which we receive payments that we contribute to pay a portion of the settlement, most of which are contingent on the consummation of the global settlement.

In the event that the global settlement is not consummated, we believe we have good defenses to all of the actions described above and intend to defend vigorously these suits. Although we recognize the uncertainties of litigation, based on our historical experience and our understanding of the facts and circumstances underlying these claims, in the event the global settlement is not consummated, we believe that these claims will not have a material adverse effect on our results of operations or financial condition.

Our policy for establishing accruals and disclosures for contingent liabilities is contained in Note 1—Summary of Significant Accounting Policies. We established an accrual with respect to the Missouri nuisance suits on the opening balance sheet for our acquisition of PSF in fiscal 2008 and we have periodically adjusted that accrual as developments have occurred. The accrual, as adjusted from time to time, represents our best estimate of the probable loss for these suits. Due to the recent developments discussed above including the substantial progress toward the consummation of a global settlement and the settlements with certain insurance carriers, we recognized $22.2 million in net charges to selling, general and administrative expenses in the Hog Production segment associated with the Missouri litigation in fiscal 2012. In November 2010 (fiscal 2011), we reached a settlement with one of our insurance carriers regarding the reimbursement of certain past and future defense costs associated with our Missouri litigation. Related to this matter, we recognized a net benefit of $19.1 million in selling, general and administrative expenses in the Hog Production segment in fiscal 2011.

Expenses and other liabilities associated with the Missouri litigation will not affect our profits or losses unless our accrual proves to be insufficient or excessive. The global settlement, if consummated on the terms contemplated, would not be materially different than the accrual. However, payments made under the global settlement, if consummated, will negatively impact our cash flows and liquidity position. In addition, in the event the global settlement is not consummated, legal expenses incurred in our and our subsidiaries' defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will also negatively impact our cash flows and our liquidity position. In any event, we do not expect such payments to have a material adverse impact on our overall financial position or liquidity.

If the global settlement is not consummated, given the uncertainty of the outcome of the Missouri nuisance suits, it is possible that the total costs incurred related to these and similar potential claims could exceed our current estimates. As of April 29, 2012, if the global settlement is not consummated, we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for these contingencies. We will continue to review the amount of any necessary accruals or other related expenses and record charges in the period in which the determination is made that an adjustment is required.

Fire Insurance Settlement

In July 2009 (fiscal 2010), a fire occurred at the primary manufacturing facility of our subsidiary, Patrick Cudahy, Inc. (Patrick Cudahy), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entir e facility. Shortly after the fire, we resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Company and third-party facilities.

We maintain comprehensive general liability and property insurance, including business interruption insurance. In December 2010 (fiscal 2011), we reached an agreement with our insurance carriers to settle the claim for a total of $208.0 million, of which $70.0 million had been advanced to us in fiscal 2010. We allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses incurred and business interruption losses that resulted from the fire. The remaining proceeds were recognized as an involuntary conversion gain of $120.6 million in the Corporate segment in the third quarter of fiscal 2011. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income.

Based on an evaluation of business interruption losses incurred, we recognized $15.8 million and $31.8 million in fiscal 2011 and fiscal 2010, respectively, of the insurance proceeds in cost of sales in our Pork segment to offset business interruption losses incurred.

Of the $208.0 million in insurance proceeds received to settle the claim, $120.6 million and $9.9 million has been classified in net cash flows from investing activities in the consolidated statements of cash flows for fiscal 2011 and fiscal 2010, respectively, which represents the portion of proceeds related to destruction of the facility. The remainder of the proceeds was recorded in net cash flows from operating activities in the consolidated statements of cash flows and was attributed to business interruption recoveries and reimbursable costs covered under our insurance policy.

NOTE 17: REPORTING SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations. Our reportable segments are: Pork, Hog Production, International Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

Pork Segment

The Pork segment consists mainly of our three wholly owned US fresh pork and packaged meats subsidiaries: Smithfield Packing, Farmland Foods, Inc. and John Morrell Food Group. The Pork segment produces a wide variety of fresh pork and packaged meats products in the US and markets them nationwide and to numerous foreign markets, including China, Japan, Mexico, Russia and Canada. Fresh pork products include loins, butts, picnics and ribs, among others. Packaged meats products include smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dry meat products, and ready-to-eat, prepared foods such as pre-cooked entrees and pre-cooked bacon and sausage.

The following table shows the percentages of Pork segment revenues derived from packaged meats and fresh pork for the fiscal years indicated.

	Fiscal Years		
	2012	**2011**	**2010**
Packaged meats	54%	56%	55%
Fresh pork [1]	46	44	45
	100%	100%	100%

(1) Includes by-products and rendering.

Hog Production Segment

The Hog Production segment consists of our hog production operations located in the US The Hog Production segment operates numerous facilities with approximately 851,000 sows producing about 15.8 million finisher hogs annually. The Hog Production segment produces approximately 49% of the Pork segment's live hog requirements. We own certain genetic lines of specialized breeding stock which are marketed using the name Smithfield Premium Genetics (SPG). All SPG hogs are processed internally.

The following table shows the percentages of Hog Production segment revenues derived from hogs sold internally and externally, and other products for the fiscal years indicated.

	Fiscal Years		
	2012	**2011**	**2010**
Internal hog sales	80%	78%	77%
External hog sales	12	15	15
Other products[1]	8	7	8
	100%	100%	100%

(1) Consists primarily of feed, non-finisher hog sales and gains (losses) on derivatives.

International Segment

The International segment includes our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. Our international meat processing operations produce a wide variety of fresh pork, beef, poultry and packaged meats products, including cooked hams, sausages, hot dogs, bacon and canned meats.

The following table shows the percentages of International segment revenues derived from packaged meats, fresh meats and other products for the fiscal years indicated.

	Fiscal Years		
	2012	**2011**	**2010**
Packaged meats	47%	47%	48%
Fresh meats	43	42	41
Other products[1]	10	11	11
	100%	100%	100%

(1) Includes external hog sales, feed, feathers, by-products and rendering.

Other Segment

The Other segment, contains the results of several recently disposed businesses, including our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010 (fiscal 2011), as well as our former live cattle operations, which were sold in the first quarter of fiscal 2010.

Corporate Segment

The Corporate segment provides management and administrative services to support our other segments.

Segment Results

The following tables present information about the results of operations and the assets of our reportable segments for the fiscal years presented. The information contains certain allocations of expenses that we deem reasonable and appropriate for the evaluation of results of operations. We do not allocate income taxes to segments. Segment assets exclude intersegment account balances as we believe their inclusion would be misleading or not meaningful. We believe all intersegment sales are at prices that approximate market.

	Fiscal Years		
	2012	**2011**	**2010**
		(in millions)	
Segment Profit Information			
Sales:			
Segment sales—			
Pork	$ 11,093.0	$ 10,263.9	$ 9,326.3
Hog Production	3,052.6	2,705.1	2,207.8
International	1,466.7	1,340.7	1,277.2
Other	—	74.7	153.3
Total segment sales	15,612.3	14,384.4	12,964.6
Intersegment sales—			
Pork	(37.1)	(30.5)	(31.5)
Hog Production	(2,444.6)	(2,113.0)	(1,695.0)
International	(36.3)	(38.2)	(35.5)
Total intersegment sales	(2,518.0)	(2,181.7)	(1,762.0)
Consolidated sales	$ 13,094.3	$ 12,202.7	$ 11,202.6
Depreciation and amortization:			
Pork	$ 127.8	$ 125.5	$ 126.0
Hog Production	71.9	65.7	74.9
International	39.9	38.1	37.4
Other	—	0.1	0.2
Corporate	3.2	2.5	3.8
Consolidated depreciation and amortization	$ 242.8	$ 231.9	$ 242.3
Interest expense:			
Pork	$ 28.7	$ 42.4	$ 48.9
Hog Production	131.8	124.5	100.5
International	29.8	28.2	37.7
Other	—	4.2	6.9
Corporate	(13.6)	46.1	72.4
Consolidated interest expense	$ 176.7	$ 245.4	$ 266.4

	Fiscal Years		
	2012	2011	2010
		(in millions)	
Loss (income) from equity method investments			
Pork	$ (2.7)	$ (2.0)	$ (3.6)
Hog Production	0.3	(0.4)	0.7
International	12.3	(46.5)	(17.2)
Other	—	(1.2)	(18.5)
Consolidated loss (income) from equity method investments	$ 9.9	$ (50.1)	$ (38.6)
Operating profit:			
Pork	$ 623.7	$ 753.4	$ 538.7
Hog Production	166.1	224.4	(539.2)
International	42.8	115.9	127.9
Other	—	(2.4)	3.6
Corporate	(110.0)	3.7	(68.2)
Consolidated operating profit	$ 722.6	$ 1,095.0	$ 62.8

	April 29, 2012	May 1, 2011	May 2, 2010
		(in millions)	
Segment Asset Information			
Total assets:			
Pork	$ 2,245.6	$ 2,620.2	$ 2,579.3
Hog Production	2,145.4	2,074.2	2,020.9
International	1,651.4	1,902.3	1,670.1
Other	—	—	169.4
Corporate	1,379.8	1,015.1	1,269.2
Consolidated total assets	$ 7,422.2	$ 7,611.8	$ 7,708.9
Investments:			
Pork	$ 18.6	$ 17.4	$ 17.1
Hog Production	2.6	2.7	2.4
International	501.2	562.1	498.7
Other	—	—	106.7
Corporate	0.2	0.3	0.1
Consolidated investments	$ 522.6	$ 582.5	$ 625.0
Capital expenditures:			
Pork	$ 143.5	$ 81.3	$ 141.7
Hog Production	89.4	68.6	10.0
International	26.5	26.8	22.1
Corporate	31.3	0.1	0.9
Consolidated capital expenditures	$ 290.7	$ 176.8	$ 174.7

The following table shows the change in the carrying amount of goodwill by reportable segment:

	Pork	International	Hog Production	Other	Total
			(in millions)		
Balance, May 2, 2010	$ 216.5	$ 141.4	$ 445.5	$ 19.5	$ 822.9
Disposals[1]	—	—	(25.5)	(19.5)	(45.0)
Other goodwill adjustments[2]	(0.4)	15.8	—	—	15.4
Balance, May 1, 2011	216.1	157.2	420.0	—	793.3
Other goodwill adjustments[2]	(0.4)	(24.7)	—	—	(25.1)
Balance, April 29, 2012	$ 215.7	$ 132.5	$ 420.0	$ —	$ 768.2

(1) See Note 3 —Impairment and Disposal of Long-lived Assets for discussion of disposals and impairments.

(2) Other goodwill adjustments primarily include the effects of foreign currency translation.

The following table presents our consolidated sales and long-lived assets attributed to operations by geographic area for the fiscal years ended April 29, 2012, May 1, 2011 and May 2, 2010:

	Fiscal Years		
	2012	2011	2010
		(in millions)	
Sales:			
US	$ 11,663.9	$ 10,900.2	$ 9,960.9
International	1,430.4	1,302.5	1,241.7
Total sales	$ 13,094.3	$ 12,202.7	$ 11,202.6

	April 29, 2012	May 1, 2011	May 2, 2010
		(in millions)	
Long-lived assets:			
US	$ 2,969.1	$ 2,905.7	$ 3,142.1
International	1,154.1	1,368.2	1,246.5
Total long-lived assets	$ 4,123.2	$ 4,273.9	$ 4,388.6

NOTE 18: SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal Years		
	2012	2011	2010
Supplemental disclosures of cash flow information:			
Interest paid, including capitalized interest	$ (149.6)	$ (223.3)	$ (210.6)
Income taxes (paid) refunded, net	(225.7)	34.8	76.8
Non-cash investing and financing activities:			
Capital lease	$ —	$ —	$ 24.7

NOTE 19: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First	Second	Third	Fourth	Fiscal Year
	(in millions, except per share data)				
Fiscal 2012					
Sales	$3,094.2	$3,312.6	$3,478.3	$3,209.2	$13,094.3
Gross profit	407.1	419.6	379.8	342.9	1,549.4
Operating profit	173.2	224.7	170.5	154.2	722.6
Net income	82.1	120.7	79.0	79.5	361.3
Net income per share: [(1)]					
Basic	$ .50	$ .74	$ .49	$ .50	$ 2.23
Diluted	$ .49	$ .74	$ .49	$ .49	$ 2.21
Fiscal 2011					
Sales	$2,901.3	$2,998.8	$3,186.2	$3,116.4	$12,202.7
Gross profit	367.7	432.7	457.2	456.5	1,714.1
Operating profit	177.6	278.1	372.7	266.6	1,095.0
Net income	76.3	143.7	202.6	98.4	521.0
Net income per share: [(1)]					
Basic	$ .46	$ .87	$ 1.22	$ .59	$ 3.14
Diluted	$ .46	$ .86	$ 1.21	$ .59	$ 3.12

(1) Per common share amounts for the quarters and full years have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the weighted average common shares outstanding during each period.

The following significant infrequent or unusual items impacted our quarterly results in fiscal 2012 and fiscal 2011:

Fiscal 2012

- Net income in the first, second and third quarters included losses on debt extinguishment of $1.2 million, $6.4 million and $4.6 million, respectively.
- Operating profit in the first and fourth quarters included charges of $39.0 million and a net benefit of $16.8 million, respectively, related to the Missouri litigation.

- Gross profit in the first, second and third quarters included accelerated depreciation charges associated with the idling of certain Missouri hog farm assets of $4.3 million, $3.2 million, and $0.7 million, respectively.

- Operating profit in the second, third and fourth quarters included charges associated with the planned closure of our Portsmouth facility of $1.8 million, $1.7 million, and $1.2 million, respectively.

- Operating profit in the first and second quarters included professional fees related to the potential acquisition of a controlling interest in CFG of $5.7 million and $0.7 million, respectively. In June 2011 (fiscal 2012), we terminated negotiations to purchase the additional interest.

- Operating profit in the third quarter included our share of charges related to the CFG Consolidation Plan of $38.7 million.

Fiscal 2011

- Gross profit in the first, second, third and fourth quarters included charges associated with the Cost Savings Initiative of $0.5 million, $15.3 million, $10.9 million and $1.3 million, respectively.

- Net income in the second, third and fourth quarters included losses on debt extinguishment of $7.3 million, $14.1 million and $71.1 million, respectively.

- Operating profit in the third quarter included an involuntary conversion gain on fire insurance recovery of $120.6 million and a net benefit of $19.1 million related to the Missouri litigation.

- Operating profit in the third and fourth quarters included net gains of $5.1 million and $13.6 million, respectively, on the sale of hog farms.

NOTE 20: SUBSEQUENT EVENT

Share Repurchase Authorization

In June 2012 (fiscal 2013), we announced that our board of directors had approved a new share repurchase program authorizing us to buy up to $250 million of our common stock over the next 24 months in addition to those amounts previously authorized under the Share Repurchase Program. We intend to fund share repurchases from cash on hand. Share repurchases may be made on the open market, or in privately negotiated transactions. The number of shares repurchased, and the timing of any buybacks, will depend on corporate cash balances, business and economic conditions, and other factors, including investment opportunities. The program may be discontinued at any time.

(4) The following is an extract of the audited consolidated financial statements of Smithfield Foods, Inc. and its subsidiaries for the year in the period ended May 1, 2011, which were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), from the Form 10-K of Smithfield. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders of Smithfield Foods, Inc.

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of May 1, 2011 and May 2, 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended May 1, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smithfield Foods, Inc. and subsidiaries at May 1, 2011 and May 2, 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 1, 2011, in conformity with US generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Smithfield Foods, Inc. and subsidiaries' internal control over financial reporting as of May 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 17, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia

June 17, 2011

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Fiscal Years		
	2011	**2010**	**2009**
Sales	$12,202.7	$11,202.6	$12,487.7
Cost of sales	10,488.6	10,472.5	11,863.1
Gross profit	1,714.1	730.1	624.6
Selling, general and administrative expenses	789.8	705.9	798.4
Gain on fire insurance recovery	(120.6)	—	—
Equity in (income) loss of affiliates	(50.1)	(38.6)	50.1
Operating profit (loss)	1,095.0	62.8	(223.9)
Interest expense	245.4	266.4	221.8
Other loss (income)	92.5	11.0	(63.5)
Income (loss) from continuing operations before income taxes	757.1	(214.6)	(382.2)
Income tax expense (benefit)	236.1	(113.2)	(131.3)
Income (loss) from continuing operations	521.0	(101.4)	(250.9)
Income from discontinued operations, net of tax	—	—	52.5
Net income (loss)	$ 521.0	$ (101.4)	$ (198.4)
Net income (loss) per share:			
Basic:			
Continuing operations	$ 3.14	$ (.65)	$ (1.78)
Discontinued operations	—	—	.37
Net income (loss) per basic common share	$ 3.14	$ (.65)	$ (1.41)
Diluted:			
Continuing operations	$ 3.12	$ (.65)	$ (1.78)
Discontinued operations	—	—	.37
Net income (loss) per diluted common share	$ 3.12	$ (.65)	$ (1.41)
Weighted average shares outstanding:			
Basic	166.0	157.1	141.1
Effect of dilutive shares	1.2	—	—
Diluted	167.2	157.1	141.1

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	May 1, 2011	May 2, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 374.7	$ 451.2
Accounts receivable, net	709.6	621.5
Inventories	2,019.9	1,860.0
Prepaid expenses and other current assets	233.7	387.6
Total current assets	3,337.9	3,320.3
Property, plant and equipment, net	2,309.1	2,358.7
Goodwill	793.3	822.9
Investments	582.5	625.0
Intangible assets, net	386.6	389.6
Other assets	202.4	192.4
Total assets	$ 7,611.8	$ 7,708.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ —	$ 16.9
Current portion of long-term debt and capital lease obligations	143.7	72.8
Accounts payable	434.4	383.8
Accrued expenses and other current liabilities	649.8	718.4
Total current liabilities	1,227.9	1,191.9
Long-term debt and capital lease obligations	1,978.6	2,918.4
Net long-term pension liability	369.6	482.5
Other liabilities	487.1	355.9
Redeemable noncontrolling interests	2.0	2.0
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized shares	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 166,080,231 and 165,995,732 issued and outstanding	83.0	83.0
Additional paid-in capital	1,638.7	1,626.9
Stock held in trust	(66.7)	(65.5)
Retained earnings	2,059.7	1,538.7
Accumulated other comprehensive loss	(169.2)	(427.5)
Total shareholders' equity	3,545.5	2,755.6
Noncontrolling interests	1.1	2.6
Total equity	3,546.6	2,758.2
Total liabilities and equity	$ 7,611.8	$ 7,708.9

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Years		
	2011	**2010**	**2009**
Cash flows from operating activities:			
Net income (loss)	$ 521.0	$ (101.4)	$ (198.4)
Adjustments to reconcile net cash flows from operating activities:			
Income from discontinued operations, net of tax	—	—	(52.5)
Equity in (income) loss of affiliates	(50.1)	(38.6)	50.1
Depreciation and amortization	231.9	242.3	270.5
Gain on fire insurance recovery	(120.6)	—	—
Deferred income taxes	158.2	35.3	(98.6)
Impairment of assets	9.2	51.3	81.8
(Gain) loss on sale of property, plant and equipment, including breeding stock	(53.0)	22.7	8.0
Pension expense	82.0	67.3	30.8
Gain on sale of investments	—	(4.5)	(58.0)
Pension contributions	(128.5)	(73.9)	(53.9)
Changes in operating assets and liabilities and other, net:			
Accounts receivable	(63.8)	(12.6)	53.9
Inventories	(178.4)	46.5	225.6
Prepaid expenses and other current assets	132.2	(209.6)	(66.5)
Accounts payable	36.6	(12.6)	(91.7)
Accrued expenses and other current liabilities	(72.6)	160.3	13.1
Other	112.3	85.7	155.7
Net cash flows from operating activities	616.4	258.2	269.9
Cash flows from investing activities:			
Capital expenditures	(176.8)	(174.7)	(179.3)
Dispositions, including Butterball, LLC	261.5	23.3	587.0
Insurance proceeds	120.6	9.9	—
Net disposals (additions) of breeding stock	26.2	(8.0)	4.8
Proceeds from sale of property, plant and equipment	22.8	11.7	21.4
Dividends received	—	5.3	56.5
Investments in partnerships	—	(1.3)	(31.7)
Business acquisitions, net of cash acquired	—	—	(17.4)
Net cash flows from investing activities	254.3	(133.8)	441.3

	Fiscal Years		
	2011	2010	2009
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt	—	840.4	600.0
Net borrowings (repayments) on revolving credit facilities and notes payables	21.6	(491.6)	(962.5)
Principal payments on long-term debt and capital lease obligations	(944.5)	(333.3)	(356.6)
Net proceeds from the issuance of common stock and stock option exercises	1.2	296.9	122.3
Cash posted as collateral	(23.9)	—	—
Purchase of call options	—	—	(88.2)
Purchase of redeemable noncontrolling interest	—	(38.9)	—
Proceeds from the sale of warrants	—	—	36.7
Debt issuance costs and other	—	(64.6)	(25.2)
Net cash flows from financing activities	(945.6)	208.9	(673.5)
Cash flows from discontinued operations:			
Net cash flows from operating activities	—	—	34.7
Net cash flows from investing activities	—	—	(7.0)
Net cash flows from financing activities	—	—	(0.8)
Net cash flows from discontinued operations activities	—	—	26.9
Effect of foreign exchange rate changes on cash	(1.6)	(1.1)	(2.9)
Net change in cash and cash equivalents	(76.5)	332.2	61.7
Cash and cash equivalents at beginning of period	451.2	119.0	57.3
Cash and cash equivalents at end of period	$ 374.7	$ 451.2	$ 119.0

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Fiscal Years		
	2011	**2010**	**2009**
Common stock (shares):			
Balance, beginning of year	166.0	143.6	134.4
Common stock issued	—	22.2	9.2
Exercise of stock options	0.1	0.2	—
Balance, end of year	166.1	166.0	143.6
Common stock (amount):			
Balance, beginning of year	$ 83.0	$ 71.8	$ 67.2
Common stock issued	—	11.1	4.6
Exercise of stock options	—	0.1	—
Balance, end of year	83.0	83.0	71.8
Additional paid-in capital			
Balance, beginning of year	1,626.9	1,353.8	1,130.2
Common stock issued	—	283.7	177.7
Exercise of stock options	1.2	2.0	0.2
Stock compensation expense	11.3	6.6	3.8
Adjustment for redeemable noncontrolling interest	—	(19.4)	—
Sale of warrants	—	—	36.7
Purchase of call options	—	—	(53.9)
Adoption of new accounting guidance on convertible debt	—	—	59.1
Other	(0.7)	0.2	—
Balance, end of year	1,638.7	1,626.9	1,353.8
Stock held in trust:			
Balance, beginning of year	(65.5)	(64.8)	(53.1)
Purchase of stock for trust	(1.2)	(0.7)	(0.6)
Purchase of stock for supplemental employee retirement plan	—	—	(11.1)
Balance, end of year	(66.7)	(65.5)	(64.8)

	Fiscal Years		
	2011	2010	2009
Retained earnings:			
Balance, beginning of year	1,538.7	1,640.1	1,838.5
Net income (loss)	521.0	(101.4)	(198.4)
Balance, end of year	2,059.7	1,538.7	1,640.1
Accumulated other comprehensive income (loss):			
Balance, beginning of year	(427.5)	(388.5)	65.4
Hedge accounting	72.6	52.6	(72.0)
Pension accounting	62.6	(96.5)	(121.9)
Foreign currency translation	123.1	4.9	(260.0)
Balance, end of year	(169.2)	(427.5)	(388.5)
Total shareholders' equity	3,545.5	2,755.6	2,612.4
Noncontrolling interests:			
Balance, beginning of year	2.6	4.1	5.6
Net income (loss) attributable to noncontrolling interests	(1.9)	0.1	(0.7)
Distributions to noncontrolling interests	—	(1.6)	—
Change in ownership of noncontrolling interests	—	—	(0.8)
Other	0.4	—	—
Balance, end of year	1.1	2.6	4.1
Total equity	$ 3,546.6	$ 2,758.2	$ 2,616.5
Comprehensive income (loss):			
Net income (loss)	$ 521.0	$ (101.4)	$ (198.4)
Other comprehensive income (loss), net of tax	258.3	(39.0)	(453.9)
Total comprehensive income (loss)	$ 779.3	$ (140.4)	$ (652.3)

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, amounts presented in these notes to our consolidated financial statements are based on continuing operations for all fiscal periods included. Certain prior year amounts have been reclassified to conform to current year presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, as well as all majority-owned subsidiaries and other entities for which we have a controlling interest. Entities that are 50% owned or less are accounted for under the equity method when we have the ability to exercise significant influence. We use the cost method of accounting for investments in which our ability to exercise significant influence is limited. All intercompany transactions and accounts have been eliminated. The results of operations include our proportionate share of the results of operations of entities acquired from the date of each acquisition for purchase business combinations. Consolidating the results of operations and financial position of variable interest entities for which we are the primary beneficiary does not have a material effect on sales, net income (loss), or net income (loss) per diluted share, or on our financial position for the fiscal periods presented.

Foreign currency denominated assets and liabilities are translated into US dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows in foreign currencies are translated into US dollars using the average exchange rate over the course of the fiscal year. The effect of exchange rate fluctuations on the translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive loss. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in selling, general and administrative expenses as incurred. We recorded net losses on foreign currency transactions of $0.4 million in fiscal 2011, net gains on foreign currency transactions of $3.7 million in fiscal 2010 and net losses on foreign currency transactions of $25.6 million in fiscal 2009.

Our Polish operations have different fiscal period end dates. As such, we have elected to consolidate the results of these operations on a one-month lag. We do not believe the impact of reporting the results of these entities on a one-month lag is material to the consolidated financial statements. Prior to fiscal 2009, the results of our Romanian operations were reported on a one-month lag. Fiscal 2009 included thirteen months of results from our Romanian operations in order to bring these operations in line with our standard fiscal reporting period. The effects of the additional month of results were not material to our consolidated financial statements.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the US, which require us to make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Our fiscal year consists of 52 or 53 weeks and ends on the Sunday nearest April 30. Fiscal 2011 and fiscal 2010 consisted of 52 weeks. Fiscal 2009 consisted of 53 weeks.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of 90 days or less to be cash equivalents. The majority of our cash is concentrated in demand deposit accounts or money market funds. The carrying value of cash equivalents approximates market value.

In fiscal 2011, we transferred $20.0 million of cash into a deposit account to serve as collateral for banking services provided by our cash management service provider under a banking agreement. We also transferred a total of $27.2 million and

$3.9 million of cash to our workers compensation service providers and the counterparty of an interest rate swap contract, respectively. The cash generally replaced letters of credit previously held as collateral for these arrangements. We have reclassified the $20.0 million of cash on deposit to prepaid expenses and other current assets and the remaining $31.1 million to other assets on the consolidated balance sheet as of May 1, 2011.

Accounts Receivable

Accounts receivable are recorded net of the allowance for doubtful accounts. We regularly evaluate the collectibility of our accounts receivable based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer and historical experience. Based on our evaluation, we record reserves to reduce the related receivables to amounts we reasonably believe are collectible. Our reserve for uncollectible accounts receivable was $9.2 million and $8.1 million as of May 1, 2011 and May 2, 2010, respectively.

Inventories

Inventories consist of the following:

	May 1, 2011	May 2, 2010
	(in millions)	
Live hogs	$ 942.8	$ 853.5
Fresh and packaged meats	875.5	786.0
Grains	89.8	66.9
Manufacturing supplies	60.0	70.5
Other	51.8	83.1
Total inventories	$ 2,019.9	$ 1,860.0

Live hogs are generally valued at the lower of first-in, first-out cost or market, adjusted for changes in the fair value of live hogs that are hedged. Costs include purchase costs, feed, medications, contract grower fees and other production expenses. Fresh meat is valued at USDA and other market prices and adjusted for the cost of further processing. Packaged meats are valued at the lower of cost or market. Costs for packaged products include meat, labor, supplies and overhead. Average costing is primarily utilized to account for fresh and packaged meats and grains. Manufacturing supplies are principally ingredients and packaging materials.

In fiscal 2009, prior to the sale of Smithfield Beef, we recorded after-tax charges of approximately $36 million in income from discontinued operations on the write-down of cattle inventories due to a decline in live cattle market prices. Refer to Note 3—Impairment and Disposal of Long-lived Assets for further discussion of our sale of Smithfield Beef. Also, in fiscal 2009, we recorded pre-tax charges totaling $4.3 million in income (loss) from continuing operations in the Other segment for the write-down of cattle inventories due to a decline in live cattle market prices. Additionally, we incurred inventory write-downs and other associated costs in the Pork segment totaling approximately $7 million in fiscal 2009.

Derivative Financial Instruments and Hedging Activities

See Note 6—Derivative Financial Instruments for our policy.

Property, Plant and Equipment, Net

Property, plant and equipment is generally stated at historical cost, which includes the then fair values of assets acquired in business combinations, and depreciated on a straight-line basis over the estimated useful lives of the assets. Assets held under capital leases are classified in property, plant and equipment, net and amortized over the lease term. The amortization of assets

held under capital leases is included in depreciation expense. The cost of assets held under capital leases was $37.4 million and $35.0 million at May 1, 2011 and May 2, 2010, respectively. The assets held under capital leases had accumulated amortization of $3.7 million and $1.4 million at May 1, 2011 and May 2, 2010, respectively. Depreciation expense is included in either cost of sales or selling, general and administrative expenses, as appropriate. Depreciation expense totaled $227.4 million, $236.9 million and $264.0 million in fiscal 2011, 2010 and 2009, respectively.

Interest is capitalized on property, plant and equipment over the construction period. Total interest capitalized was $1.6 million, $2.8 million and $2.0 million in fiscal 2011, 2010 and 2009, respectively.

Property, plant and equipment, net, consists of the following:

	Useful Life	**May 1, 2011**	**May 2, 2010**
	(in Years)	*(in millions)*	
Land and improvements	0-20	$ 271.7	$ 300.1
Buildings and improvements	20-40	1,720.8	1,681.2
Machinery and equipment	5-25	1,710.2	1,639.7
Breeding stock	2	159.3	151.5
Computer hardware and software	3-5	136.3	112.0
Other	3-10	54.8	56.6
Construction in progress		133.6	97.4
		4,186.7	4,038.5
Accumulated depreciation		(1,877.6)	(1,679.8)
Property, plant and equipment, net		$ 2,309.1	$ 2,358.7

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows.

Goodwill and indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or sooner if impairment indicators arise. Goodwill is tested for impairment using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is estimated by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples is dependent upon assumptions regarding future levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. When estimating future discounted cash flows, we consider the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on an industry-wide average cost of capital or location-specific economic factors. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the

reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Based on the results of the first step of our annual goodwill impairment tests, as of our testing date, no impairment indicators were noted for all the periods presented.

The carrying amount of goodwill includes cumulative impairment losses of $6.0 million as of May 1, 2011 and May 2, 2010.

Intangible assets consist of the following:

	Useful Life	**May 1, 2011**	**May 2, 2010**
	(in Years)	*(in millions)*	
Amortized intangible assets:			
Customer relations assets	15-16	$ 13.3	$ 13.3
Patents, rights and leasehold interests	5-25	11.8	12.7
Contractual relationships	22	33.1	33.1
Accumulated amortization		(19.6)	(17.4)
Amortized intangible assets, net		38.6	41.7
Non-amortized intangible assets:			
Trademarks	Indefinite	341.9	341.6
Permits	Indefinite	6.1	6.3
Intangible assets, net		$386.6	$389.6

The fair values of trademarks are calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. If the carrying value of our indefinite-lived intangible assets exceeds their fair value, an impairment loss is recognized in an amount equal to that excess. Intangible assets with finite lives are reviewed for recoverability when indicators of impairment are present using estimated future undiscounted cash flows related to those assets. We have determined that no impairments of our intangible assets existed for any of the periods presented.

Amortization expense for intangible assets was $3.2 million, $3.1 million and $2.9 million in fiscal 2011, 2010 and 2009, respectively. As of May 1, 2011, the estimated amortization expense associated with our intangible assets for each of the next five fiscal years is expected to be $2.7 million.

Debt Issuance Costs, Premiums and Discounts

Debt issuance costs, premiums and discounts are amortized into interest expense over the terms of the related loan agreements using the effective interest method or other methods which approximate the effective interest method.

Investments

We record our share of earnings and losses from our equity method investments in equity in (income) loss of affiliates. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated financial statements. We consider whether the fair values of any of our equity method investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If

we consider any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment would be recorded to its estimated fair value. We have determined that no write-down was necessary for all periods presented. See Note 7—Investments for further discussion.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. We accrue interest and penalties related to unrecognized tax benefits as other liabilities and recognize the related expense as income tax expense.

Pension Accounting

We recognize the funded status of our benefit plans in the consolidated balance sheets. We also recognize as a component of accumulated other comprehensive loss, the net of tax results of the gains or losses and prior service costs or credits that arise during the period but are not recognized in net periodic benefit cost. These amounts are adjusted out of accumulated other comprehensive loss as they are subsequently recognized as components of net periodic benefit cost.

We measure our pension and other postretirement benefit plan obligations and related plan assets as of the last day of our fiscal year. The measurement of our pension obligations and related costs is dependent on the use of assumptions and estimates. These assumptions include discount rates, salary growth, mortality rates and expected returns on plan assets. Changes in assumptions and future investment returns could potentially have a material impact on our expenses and related funding requirements.

Self-Insurance Programs

We are self-insured for certain levels of general and vehicle liability, property, workers' compensation, product recall and health care coverage. The cost of these self-insurance programs is accrued based upon estimated settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current period earnings.

Contingent Liabilities

We are subject to lawsuits, investigations and other claims related to the operation of our farms, labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees.

A determination of the amount of accruals and disclosures required, if any, for these contingencies is made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable.

Our contingent liabilities contain uncertainties because the eventual outcome will result from future events. Our determination of accruals and any reasonably possible losses in excess of those accruals require estimates and judgments related to future changes in facts and circumstances, interpretations of the law, the amount of damages or fees, and the effectiveness of strategies or other factors beyond our control. If actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Revenue Recognition

We recognize revenues from product sales upon delivery to customers or when title passes. Revenue is recorded at the invoice price for each product net of estimated returns and sales incentives provided to customers. Sales incentives include various rebate and trade allowance programs with our customers, primarily discounts and rebates based on achievement of specified volume or growth in volume levels.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred except for certain production costs, which are expensed upon the first airing of the advertisement. Promotional sponsorship costs are expensed as the promotional events occur. Advertising costs totaled $102.5 million, $111.3 million and $119.6 million in fiscal 2011, 2010 and 2009, respectively, and were included in selling, general and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are reported as a component of cost of sales.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $47.0 million, $38.8 million and $52.6 million in fiscal 2011, 2010 and 2009, respectively.

Net Income (Loss) per Share

We present dual computations of net income (loss) per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the potentially dilutive effect of common stock equivalents, such as stock options, during the period.

NOTE 2: NEW ACCOUNTING GUIDANCE

In June 2009 and December 2009, the FASB issued guidance requiring an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This guidance requires an ongoing assessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This guidance was effective for fiscal years beginning after November 15, 2009. We adopted the new guidance in the first quarter of fiscal 2011 and determined that it had no impact on our consolidated financial statements.

NOTE 3: IMPAIRMENT AND DISPOSAL OF LONG-LIVED ASSETS

Hog Farms

Texas

In the first quarter of fiscal 2010, we ceased hog production operations and closed the farms related to our Dalhart, Texas operation. In connection with this event, we recorded an impairment charge of $23.6 million to write-down the assets to their

estimated fair value of $20.9 million. The estimate of fair value was based on our assessment of the facts and circumstances at the time of the write-down, which indicated that the highest and best use of the assets by a market participant was for crop farming. The estimated fair value was determined using the initial valuation of the property in connection with our acquisition of the farms, relevant market data based on recent transactions for similar real property and third party estimates. In connection with our evaluation, we had determined that these assets did not meet the criteria to be classified as held for sale due to the uncertainty that a sale would ultimately occur and be completed within a twelve-month period. We subsequently reevaluated these assets for appropriate classification each quarter.

In January 2011 (fiscal 2011), we sold land included in our Dalhart, Texas operations to a crop farmer for net proceeds of $9.1 million and recognized a loss on the sale of $1.8 million in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. Also, in January 2011 (fiscal 2011), we received a non-binding letter of intent from a prospective buyer for the purchase of our remaining Dalhart, Texas assets. The prospective buyer had indicated that it intended to utilize the farms for hog production after reconfiguring the assets to meet their specific business purposes. In April 2011 (fiscal 2011), we completed the sale of the remaining Dalhart, Texas assets and received net proceeds of $32.5 million. As a result of the sale, we recognized a gain of $13.6 million in selling, general and administrative expenses in our Hog Production segment in the fourth quarter of fiscal 2011, after allocating $8.5 million in goodwill to the asset group. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Oklahoma and Iowa

In January 2011 (fiscal 2011), we completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, we received total net proceeds of $70.4 million and recognized gains totaling $6.9 million, after allocating $17.0 million of goodwill to these asset groups. Goodwill was allocated to this business based on its fair value relative to the estimated fair value of our domestic hog production reporting unit. The gains were recorded in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. The operating results and cash flows from these asset groups were not considered material for separate disclosure.

Missouri

In the first quarter of fiscal 2010, we entered into negotiations to sell certain hog farms located in Missouri, which we believed would result in a completed sale within the subsequent twelve month period. We recorded total impairment charges of $10.5 million, including a $6.0 million allocation of goodwill, in the first quarter of fiscal 2010 to write-down the hog farm assets to their estimated fair value. The impairment charges were recorded in cost of sales in the Hog Production segment. We determined the fair value of the assets by probability-weighting an estimated range of sales proceeds based on price negotiations between us and the prospective buyer, which included consideration of recent market multiples. We allocated goodwill to the asset disposal group based on its estimated fair value relative to the estimated fair value of our domestic hog production reporting unit.

Based on our evaluation in the first quarter of fiscal 2010, we classified these properties, which consisted primarily of property, plant and equipment, as held for sale as of August 2, 2009 and November 1, 2009. However, in the quarter ended January 31, 2010, negotiations for the sale of these properties stalled indefinitely as we were unwilling to meet certain demands of the prospective buyer. At that time, we concluded it was no longer probable that a sale of these properties would occur and be completed within one year. As a result, we reclassified these properties as held and used as of January 31, 2010 and determined that no adjustment to the carrying amount was necessary. These properties continue to be classified as held and used in the consolidated balance sheets as of May 1, 2011 and May 2, 2010.

Butterball, LLC (Butterball)

In June 2010 (fiscal 2011), we announced that we had made an offer to purchase our joint venture partner's 51% ownership interest in Butterball and our partner's related turkey production assets. In accordance with Butterball's operating agreement, our partner had to either accept the offer to sell or be required to purchase our 49% interest and our related turkey production assets, which we refer to below as our turkey operations.

In September 2010 (fiscal 2011), we were notified of our joint venture partner's decision to purchase our 49% interest in Butterball and our related turkey production assets. In December 2010 (fiscal 2011), we completed the sale of these assets for $167.0 million and recognized a gain of $0.2 million. The gain was calculated as the cash selling price, net of costs to sell, less the carrying amount of the asset disposal group. The operating results and cash flows from our turkey operations were not considered material for separate disclosure.

Sioux City, Iowa Plant

In January 2010 (fiscal 2010), we announced that we would close our fresh pork processing plant located in Sioux City, Iowa. The Sioux City plant was one of our oldest and least efficient plants. The plant design severely limited our ability to produce value-added packaged meats products and maximize production throughput. A portion of the plant's production was transferred to other nearby Smithfield plants. We closed the Sioux City plant in April 2010 (fiscal 2010).

As a result of the planned closure, we recorded charges of $13.1 million in the third quarter of fiscal 2010. These charges consisted of $3.6 million for the write-down of long-lived assets, $2.5 million of unusable inventories and $7.0 million for estimated severance benefits pursuant to contractual and ongoing benefit arrangements. Substantially all of these charges were recorded in cost of sales in the Pork segment. There were no significant charges associated with this plant closure in fiscal 2011 and we do not expect any significant future charges.

RMH Foods, LLC (RMH)

In October 2009 (fiscal 2010), we entered into an agreement to sell substantially all of the assets of RMH, a subsidiary within the Pork segment. As a result of this sale, we recorded pre-tax charges totaling $3.5 million, including $0.5 million of goodwill impairment, in cost of sales in the Pork segment in the second quarter of fiscal 2010 to write-down the assets of RMH to their fair values. In December 2009 (fiscal 2010), we completed the sale of RMH for $9.1 million, plus $1.4 million of liabilities assumed by the buyer.

Smithfield Beef, Inc. (Smithfield Beef)

In March 2008 (fiscal 2008), we entered into an agreement with JBS S.A., a company organized and existing under the laws of Brazil (JBS), to sell Smithfield Beef, our beef processing and cattle feeding operation that encompassed our entire Beef segment. In October 2008 (fiscal 2009), we completed the sale of Smithfield Beef for $575.5 million in cash.

The sale included 100 percent of Five Rivers Ranch Cattle Feeding LLC (Five Rivers), which was previously a 50/50 joint venture with Continental Grain Company (CGC). Immediately preceding the closing of the JBS transaction, we acquired CGC's 50 percent investment in Five Rivers for 2,166,667 shares of our common stock valued at $27.87 per share and $8.7 million for working capital adjustments.

The JBS transaction excluded substantially all live cattle inventories held by Smithfield Beef and Five Rivers as of the closing date, together with associated debt. All live cattle inventories previously held by Five Rivers were sold by the end of fiscal 2009. The remaining live cattle inventories of Smithfield Beef, which were excluded from the JBS transaction, were sold in the first quarter of fiscal 2010. Our results from the sale of the live cattle inventories that were excluded from the JBS transaction are reported in income from continuing operations in the Other segment.

We recorded an estimated pre-tax gain of $95.2 million ($51.9 million net of tax) on the sale of Smithfield Beef in the second quarter of fiscal 2009. We recorded an additional gain of approximately $4.5 million ($2.4 million net of tax) in the third quarter of fiscal 2009 for the settlement of differences in working capital at closing from agreed-upon targets. These gains were recorded in income (loss) from discontinued operations.

Sales, interest expense and net income of Smithfield Beef for fiscal 2009 were $1.7 billion, $17.3 million and $0.9 million, respectively. Interest expense is allocated to discontinued operations based on specific borrowings by the discontinued operations. These results are reported in income from discontinued operations.

Smithfield Bioenergy, LLC (SBE)

In April 2007 (fiscal 2007), we decided to exit the alternative fuels business and dispose of substantially all of the assets of SBE. In February 2008 (fiscal 2008), we signed a definitive agreement to sell substantially all of SBE's assets, and in May 2008 (fiscal 2009), we completed the sale for $11.5 million.

Sales, interest expense and net loss of SBE for fiscal 2009 were $3.8 million, $1.3 million and $2.7 million, respectively. These results are reported in income from discontinued operations.

NOTE 4: PORK RESTRUCTURING

In February 2009 (fiscal 2009), we announced a plan to consolidate and streamline the corporate structure and manufacturing operations of our Pork segment (the Restructuring Plan). This restructuring was intended to make us more competitive by improving operating efficiencies and increasing plant utilization. The Restructuring Plan included the following primary initiatives:

- the closing of the following six plants, with the transfer of production to more efficient facilities:
  - The Smithfield Packing Company, Incorporated's (Smithfield Packing) Smithfield South plant in Smithfield, Virginia;
  - Smithfield Packing's Plant City, Florida plant;
  - Smithfield Packing's Elon, North Carolina plant;
  - John Morrell & Co's (John Morrell) Great Bend, Kansas plant;
  - Farmland Foods, Inc.'s (Farmland Foods) New Riegel, Ohio plant; and
  - Armour-Eckrich's Hastings, Nebraska plant;
- a reduction in the number of operating companies in the Pork segment from seven to three;
- the merger of the fresh pork sales forces of the John Morrell and Farmland Foods business units; and
- the consolidation of the international sales organizations of our US operating companies into one group that is responsible for exports.

We completed the Restructuring Plan in the first half of fiscal 2011 with cumulative pre-tax restructuring and impairment charges of approximately $105.5 million. We recorded $17.3 million of these charges in fiscal 2010 and $88.2 million in fiscal 2009. Of these amounts, $4.7 million and $5.9 million were recorded in selling, general and administrative expenses in fiscal

2010 and fiscal 2009, respectively, with the remainder recorded in cost of sales. Total impairment charges were $74.7 million, including $0.5 million in fiscal 2010 and $74.2 million in fiscal 2009. Other restructuring charges consisted of employee severance and related benefits, plant consolidation expenses and plant wind-down expenses. There were no material charges incurred in fiscal 2011. All charges were recorded in the Pork segment.

NOTE 5: HOG PRODUCTION COST SAVINGS INITIATIVE

In the fourth quarter of fiscal 2010, we announced a plan to improve the cost structure and profitability of our domestic hog production operations (the Cost Savings Initiative). The plan includes a number of undertakings designed to improve operating efficiencies and productivity. These consist of farm reconfigurations and conversions, termination of certain high cost, third party hog grower contracts and breeding stock sourcing contracts, as well as a number of other cost reduction activities. Certain of these activities are expected to occur over the next two years in order to allow for the successful transformation of farms while minimizing disruption of supply.

The following table summarizes the balance of accrued expenses, the cumulative expenses incurred to date and the expected remaining expenses to be incurred related to the Cost Savings Initiative by major type of cost. All of the charges presented have been recorded in cost of sales in the Hog Production segment.

	Accrued Balance May 2, 2010	2011 Fiscal Expense	Payments	Accrued Balance May 1, 2011	Cumulative Expense-to-Date	Estimated Remaining Expense
			(in millions)			
Cost savings activities:						
Contract terminations	$ 1.8	$ 19.4	$ (20.4)	$ 0.8	$ 22.2	$ 3.4
Other associated costs	—	6.9	(5.3)	1.6	6.9	2.5
Total cost savings activities	$ 1.8	26.3	$ (25.7)	$ 2.4	29.1	5.9
Other charges:						
Accelerated depreciation		1.7			5.5	0.4
Impairment		—			2.5	—
Total other charges		1.7			8.0	0.4
Total cost savings activities and other charges		$ 28.0			$ 37.1	$ 6.3

In addition to the charges presented in the table above, we anticipate capital expenditures totaling approximately $86 million, of which we have spent $46.3 million through May 1, 2011.

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn and soybean meal, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

We do not offset the fair value of derivative instruments with cash collateral held with or received from the same counterparty under a master netting arrangement. As of May 1, 2011, prepaid expenses and other current assets included $46.4 million representing cash on deposit with brokers to cover losses on our open derivative instruments. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements. We have reviewed our derivative contracts and have determined that they do not contain credit contingent features which would require us to post additional collateral if we did not maintain a credit rating equivalent to what was in place at the time the contracts were entered into.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties under financial instruments. Although our counterparties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counterparties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit risk to non-exchange traded derivatives. Determination of the credit quality of our counterparties is based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of May 1, 2011, we had credit exposure of $37.9 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, our credit exposure was reduced to $35.1 million. No significant concentrations of credit risk existed as of May 1, 2011.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. The following table presents the fair values of our open derivative financial instruments in the consolidated balance sheets on a gross basis. All grain contracts, livestock contracts and foreign exchange contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated balance sheets, as appropriate. Interest rate contracts are recorded in other liabilities.

	Assets		**Liabilities**	
	May 1, 2011	**May 2, 2010**	**May 1, 2011**	**May 2, 2010**
	(in millions)		*(in millions)*	
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 46.2	$ 11.5	$ 4.8	$ 3.4
Livestock contracts	22.9	—	29.5	40.8
Interest rate contracts	—	—	2.3	8.1
Foreign exchange contracts	0.2	3.0	—	—
Total	69.3	14.5	36.6	52.3
Derivatives using the "mark-to-market" method:				
Grain contracts	38.3	5.5	4.7	6.5
Livestock contracts	1.7	5.8	8.0	87.6
Energy contracts	1.0	—	0.1	4.0
Foreign exchange contracts	0.3	0.5	1.9	0.2
Total	41.3	11.8	14.7	98.3
Total fair value of derivative instruments	$ 110.6	$ 26.3	$ 51.3	$ 150.6

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn and soybean meal. In addition, we enter into interest rate swaps to manage our exposure to changes in interest rates associated with our variable interest rate debt, and we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. We generally do not hedge anticipated transactions beyond twelve months.

During fiscal 2011, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	20,447,900	54,885,000	Bushels
Soybean meal	145,700	516,000	Tons
Lean Hogs	182,640,000	1,008,880,000	Pounds
Interest rate	200,000,000	200,000,000	US Dollars
Foreign currency(1)	8,951,592	89,021,606	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

The following table presents the effects on our consolidated financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the fiscal years indicated:

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)			Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	(in millions)			*(in millions)*			*(in millions)*		
Commodity contracts:									
Grain contracts	$232.9	$(4.0)	$(201.5)	$80.7	$(85.4)	$(112.5)	$1.9	$(7.2)	$(4.6)
Lean hog contracts	(82.8)	(22.8)	—	(44.5)	1.9	—	(1.0)	(0.5)	—
Interest rate contracts	(1.2)	(4.6)	(12.6)	(7.0)	(6.8)	(2.3)	—	—	—
Foreign exchange contracts	(4.1)	6.1	(37.5)	(2.6)	(8.0)	(21.7)	—	—	—
Total	$144.8	$(25.3)	$(251.6)	$26.6	$(98.3)	$(136.5)	$0.9	$(7.7)	$(4.6)

For the fiscal periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial. During fiscal 2011, we discontinued cash flow hedge accounting on a number of grain contracts associated with our hog farm operation in Oklahoma, which was sold in January 2011 (fiscal 2011), because it was probable that the original forecasted transactions were no longer expected to occur. The impact of these contracts on our results of operations was immaterial.

As of May 1, 2011, there were deferred net gains of $48.1 million, net of tax of $31.0 million, in accumulated other comprehensive loss. We expect to reclassify $54.9 million ($33.5 million net of tax) of the deferred net gains on closed commodity contracts into earnings in fiscal 2012. We are unable to estimate the gains or losses to be reclassified into earnings in fiscal 2012 related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. We also enter into interest rate swaps to manage interest rate risk associated with our fixed rate borrowings. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts, interest expense for interest rate contracts and selling, general and administrative expenses for foreign exchange contracts.

During fiscal 2011, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	**Maximum**	**Metric**
Commodities:			
Lean hogs	37,560,000	431,440,000	Pounds
Corn	2,495,000	11,400,000	Bushels

The following table presents the effects on our consolidated statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the fiscal years indicated:

	Gain (Loss) Recognized in Earnings on Derivative			**Gain (Loss) Recognized in Earnings on Related Hedged Item**		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
		(in millions)			*(in millions)*	
Commodity contracts	$ (4.2)	$ (36.2)	$ 12.8	$ 5.4	$ 32.4	$ (14.0)
Interest rate contracts	—	0.6	0.7	—	(0.6)	(0.7)
Foreign exchange contracts	—	3.4	—	—	(1.5)	—
Total	$ (4.2)	$ (32.2)	$ 13.5	$ 5.4	$ 30.3	$ (14.7)

We recognized losses of $24.9 million and $3.1 million for fiscal 2011 and fiscal 2010, respectively, and gains of $5.5 million for fiscal 2009 on closed commodity derivative contracts as the underlying cash transactions affected earnings.

For fair value hedges of hog inventory, we elect to exclude from the assessment of effectiveness differences between the spot and futures prices. These differences are recorded directly into earnings as they occur. These differences resulted in a gain of $0.2 million in fiscal 2011 and a loss of $4.4 million in fiscal 2010. There were no fair value hedges of hog inventory in fiscal 2009.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting, are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in cost of sales for commodity contracts, and selling, general and administrative expenses for interest rate contracts and foreign currency contracts.

During fiscal 2011, the range of notional volumes associated with open derivative instruments using the "mark-to-market" method was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	81,440,000	1,011,960,000	Pounds
Corn	10,000	45,643,300	Bushels
Soybean meal	12,050	335,834	Tons
Soybeans	115,000	890,000	Bushels
Wheat	—	3,415,000	Bushels
Live cattle	—	1,400,000	Pounds
Pork bellies	—	2,040,000	Pounds
Natural gas	2,040,000	3,780,000	Million BTU
Foreign currency(1)	48,660,934	143,743,810	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the amount of gains (losses) recognized in the consolidated statements of income on derivative instruments using the "mark-to-market" method by type of derivative contract for the fiscal years indicated:

	Fiscal Years		
	2011	2010	2009
	(in millions)		
Commodity contracts	$ 63.4	$ (92.4)	$ 104.0
Interest rate contracts	—	—	2.3
Foreign exchange contracts	(9.0)	(11.1)	(3.1)
Total	$ 54.4	$ (103.5)	$ 103.2

The table above reflects gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within a fiscal year The table includes amounts for both realized and unrealized gains and losses. The table is not, therefore, a simple representation of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 7: INVESTMENTS

Investments consist of the following:

Equity Investment	Segment	% Owned	May 1, 2011	May 2, 2010
			(in millions)	
Campofrio Food Group (CFG)	International	37%	$ 445.1	$ 417.3
Mexican joint ventures	International	50%	110.2	75.1
Butterball[(1)]	Other	—	—	99.8
All other equity method investments	Various	Various	27.2	32.8
Total investments			$ 582.5	$ 625.0

(1) In the third quarter of fiscal 2011, we completed the sale of Butterball. See Note 3—Impairment and Disposal of Long-lived Assets for further discussion.

Equity in (income) loss of affiliates consists of the following:

Equity Investment	Segment	2011	Fiscal Years 2010	2009
			(in millions)	
CFG[(1)]	International	$ (17.0)	$ (4.5)	$ 5.6
Mexican joint ventures	International	(29.6)	(13.2)	9.8
Butterball[(2)]	Other	(1.3)	(18.8)	19.5
Cattleco, LLC (Cattleco)[(3)]	Other	—	—	15.1
All other equity method investments	Various	(2.2)	(2.1)	0.1
Equity in (income) loss of affiliates		$ (50.1)	$ (38.6)	$ 50.1

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

(2) In the third quarter of fiscal 2011, we completed the sale of Butterball. See Note 3—Impairment and Disposal of Long-lived Assets for further discussion.

(3) In fiscal 2009, in conjunction with the sale of Smithfield Beef, we formed a 50/50 joint venture with CGC, named Cattleco, to sell the remaining live cattle from Five Rivers that were not sold to JBS. All of the remaining live cattle were sold before the end of fiscal 2009 at market-based prices. See Note 3—Impairment and Disposal of Long-lived Assets for further discussion.

The combined summarized financial information for CFG consists of the following:

	2011	Fiscal Years 2010	2009
		(in millions)	
Income statement information:			
Sales	$ 2,433.3	$ 2,593.8	$ 2,627.9
Gross profit	423.0	559.6	537.2
Net income (loss)	46.1	12.9	(10.0)

	May 1, 2011	May 2, 2010
	(in millions)	
Balance sheet information:		
Current assets	$1,025.6	$ 882.9
Long-term assets	1,856.1	1,659.1
Current liabilities	874.1	683.1
Long-term liabilities	990.9	1,015.6

CFG

In fiscal 2009, we sold Groupe Smithfield S.L., a 50/50 joint venture, to Campofrio Alimentación, S.A. (Campofrio) in exchange for shares of Campofrio common stock, creating a new merged company known as CFG. The merger created the largest pan-European company in the packaged meats sector and one of the five largest worldwide. The sale of Groupe Smithfield resulted in a pre-tax gain of $56.0 million, which was recorded in other (loss) income in the consolidated statement of income. We valued the shares of Campofrio stock received in connection with the sale of our interest in Groupe Smithfield based on the last quoted market price of the stock on the closing date of the transaction.

As of May 1, 2011, we held 37,811,302 shares of CFG common stock. The stock was valued at €9.22 per share (approximately $13.65 per share) on the close of the last day of trading before the end of fiscal 2011. Beginning in the third quarter of fiscal 2009 and throughout much of fiscal 2011 and fiscal 2010, the carrying amount of our investment in CFG exceeded the market value of the underlying securities. We have analyzed our investment in CFG for impairment and have determined that the fair value of our investment exceeded the carrying amount as of May 1, 2011. We estimate the fair value of our investment based on a variety of information including market multiples for comparable businesses, expectations about future cash flows of CFG, the market price of the underlying securities and a premium applied for our significant noncontrolling interest. The premium is based on the premise that we are the single largest shareholder of CFG, hold positions on CFG's Board of Directors and have significant influence over the strategic and operational decisions made by CFG. Based on our assessment, no impairment existed as of May 1, 2011.

In fiscal 2010, as part of a debt restructuring, CFG redeemed certain of its debt instruments and, as a result, we recorded $10.4 million of charges in equity in (income) loss of affiliates.

Farasia Corporation (Farasia)

In November 2009 (fiscal 2010), we completed the sale of our investment in Farasia, a 50/50 Chinese joint venture formed in 2001, for RMB 97.0 million ($14.2 million at the time of the transaction). We recorded, in selling, general and administrative expenses, a $4.5 million pre-tax gain on the sale of this investment.

NOTE 8: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	May 1, 2011	May 2, 2010
	(in millions)	
Payroll and related benefits	$ 246.9	$ 192.4
Derivative instruments	17.0	119.7
Self-insurance reserves	53.9	60.3
Accrued interest	49.0	70.4
Other	283.0	275.6
Total accrued expenses and other current liabilities	$ 649.8	$ 718.4

NOTE 9: DEBT

Long-term debt consists of the following:

	May 1, 2011	May 2, 2010
	(in millions)	
10% senior secured notes, due July 2014, including unamortized discounts of $11.2 million and $20.6 million	$ 412.9	$ 604.4
10% senior secured notes, due July 2014, including unamortized premiums of $6.1 million and $7.8 million	231.1	232.8
7% senior unsecured notes, due August 2011, including unamortized premiums of $0.2 million and $2.3 million	78.0	602.3
7.75% senior unsecured notes, due July 2017	500.0	500.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $47.3 million and $65.9 million	352.7	334.1
7.75% senior unsecured notes, due May 2013	160.0	350.0
Floating rate senior secured term loan, due August 2013	200.0	200.0
Various, interest rates from 0% to 9%, due May 2011 through March 2017	160.0	139.4
Total debt	2,094.7	2,963.0
Current portion	(143.2)	(72.2)
Total long-term debt	$ 1,951.5	$ 2,890.8

Scheduled maturities of long-term debt are as follows:

	(in millions)
Fiscal Year	
2012	$ 143.2
2013	111.9
2014	666.7
2015	647.9
2016	17.2
Thereafter	507.8
Total debt	$ 2,094.7

Debt Extinguishments

In August 2010 (fiscal 2011), we began repurchasing a portion of our senior unsecured notes due August 2011 (2011 Notes). We paid $210.7 million to repurchase notes with a face value of $203.8 million. We recognized a loss of $7.3 million in the second quarter of fiscal 2011, including the write-off of related unamortized debt costs, as a result of these debt repurchases.

In November 2010 (fiscal 2011), we commenced an offer to purchase for cash (the November Tender Offer) up to an aggregate of $337.0 million principal amount of our outstanding 2011 Notes. The November Tender Offer expired on December 1, 2010. As a result of the November Tender Offer, we paid $332.4 million to repurchase notes with a face value of $318.4 million and recognized a loss of $14.1 million in the third quarter of fiscal 2011, including the write-off of related unamortized premiums and debt costs.

In January 2011 (fiscal 2011), we commenced a Dutch auction cash tender offer to purchase for $450.0 million in cash (the January Tender Offer) the maximum aggregate principal amount of our outstanding senior unsecured notes due May 2013 (2013 Notes) and our outstanding senior secured notes due July 2014 (2014 Notes). The January Tender Offer expired on February 9, 2011. As a result of the January Tender Offer, we paid $450.0 million to repurchase 2013 Notes and 2014 Notes with face values of $190.0 million and $200.9 million, respectively, and recognized a loss of $71.1 million in the fourth quarter of fiscal 2011, including the write-off of related unamortized discounts and debt costs.

In fiscal 2010, we recognized $11.0 million of losses on debt extinguishment related to the termination of various debt agreements, including our then existing $1.3 billion secured revolving credit agreement (the US Credit Facility) and €300 million European secured revolving credit facility.

In fiscal 2009, we recognized a gain of $7.5 million on the early redemption of $93.7 million of our 8% senior unsecured notes due in October 2009 for $86.2 million.

2014 Notes

In July 2009 (fiscal 2010), we issued $625 million aggregate principal amount of 10% senior secured notes at a price equal to 96.201% of their face value. In August 2009 (fiscal 2010), we issued an additional $225 million aggregate principal amount of 10% senior secured notes at a price equal to 104% of their face value, plus accrued interest from July 2, 2009 to August 14, 2009. Collectively, these notes, which mature in July 2014 are referred to as the “2014 Notes”.

The 2014 Notes are guaranteed by substantially all of our US subsidiaries. The 2014 Notes are secured by first-priority liens, subject to permitted liens and exceptions for excluded assets, in substantially all of the guarantors’ real property, fixtures and equipment (collectively, the Non-ABL Collateral) and, as of June 9, 2011, by second-priority liens on certain personal property, including cash and cash equivalents, deposit accounts, inventory, intellectual property, and certain equity interests (the Inventory Revolver Collateral). See Note 21—Subsequent Events for further information on the Inventory Revolver.

The 2014 Notes will rank equally in right of payment to all of our existing and future senior debt and senior in right of payment to all of our existing and future subordinated debt. The guarantees will rank equally in right of payment with all of the guarantors' existing and future senior debt and senior in right of payment to all of the guarantors' existing and future subordinated debt. In addition, the 2014 Notes are structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Credit Facilities

In July 2009 (fiscal 2010), we entered into an asset-based revolving credit agreement totaling $1.0 billion that supported short-term funding needs and letters of credit (the ABL Credit Facility), which, along with the 2014 Notes, replaced the US Credit Facility, which was scheduled to expire in August 2010 (fiscal 2011).

Availability under the ABL Credit Facility was based on a percentage of certain eligible accounts receivable and eligible inventory and was reduced by certain reserves. After reducing the amount available by outstanding letters of credit issued under the ABL Credit Facility of $144.1 million, the amount available for borrowing, as of May 1, 2011, was $855.9 million, of which, we had no outstanding borrowings.

In June 2011 (fiscal 2012), we refinanced the ABL Credit Facility. See Note 21—Subsequent Events for further information on the refinancing.

As of May 1, 2011, we had aggregate credit facilities and credit lines totaling $1,125.8 million. Our unused capacity under these credit facilities and credit lines was $904.8 million. These facilities and lines are generally at prevailing market rates. We pay commitment fees on the unused portion of the facilities.

Average borrowings under credit facilities and credit lines were $81.6 million, $163.7 million and $936.4 million at average interest rates of 4.8%, 4.9% and 4.5% during fiscal 2011, 2010 and 2009, respectively. Maximum borrowings were $256.9 million, $609.3 million and $1.5 billion in fiscal 2011, 2010 and 2009, respectively. Total outstanding borrowings were $76.9 million as of May 1, 2011 and $45.3 million as of May 2, 2010 with average interest rates of 5.2% and 5.3%, respectively.

Rabobank Term Loan

In July 2009 (fiscal 2010), we entered into a $200.0 million term loan due August 29, 2013 (the Rabobank Term Loan), which replaced our then existing $200.0 million term loan that was scheduled to mature in August 2011.

In June 2011 (fiscal 2012), we refinanced the Rabobank Term Loan. See Note 21—Subsequent Events for further information on the refinancing.

Convertible Notes

In July 2008 (fiscal 2009), we issued $400.0 million aggregate principal amount of 4% convertible senior notes due June 30, 2013 (the Convertible Notes) in a registered offering. The Convertible Notes are senior unsecured obligations. The Convertible Notes are payable with cash and, at certain times, are convertible into shares of our common stock based on an initial conversion rate, subject to adjustment, of 44.082 shares per $1,000 principal amount of Convertible Notes (which represents an initial conversion price of approximately $22.68 per share). Upon conversion, a holder will receive cash up to the principal amount of the Convertible Notes and shares of our common stock for the remainder, if any, of the conversion obligation.

Prior to April 1, 2013, holders may convert their notes into cash and shares of our common stock, if any, at the applicable conversion rate under the following circumstances:

- during any fiscal quarter if the last reported sale price of our common stock is greater than or equal to 120% of the applicable conversion price for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- during the five business-day period after any ten consecutive trading-day period in which the trading price per $1,000 principal amount of notes was less than 98% of the last reported sale price of our common stock multiplied by the applicable conversion rate; or
- upon the occurrence of specified corporate transactions.

On or after April 1, 2013, holders may convert their Convertible Notes at any time prior to the close of business on the third scheduled trading day immediately preceding the maturity date, regardless of the foregoing circumstances.

The Convertible Notes were originally accounted for as a combined debt instrument as the conversion feature did not meet the requirements to be accounted for separately as a derivative financial instrument. In May 2008, the FASB issued new accounting guidance specifying that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The amount allocated to the equity component represents a discount to the debt recorded. This discount represents the amount of additional interest expense to be recognized using the effective interest method over the life of the debt, to accrete the debt to the principal amount due at maturity. We adopted the new accounting guidance beginning in the first quarter of fiscal 2010 (beginning May 4, 2009).

On the date of issuance of the Convertible Notes, our nonconvertible debt borrowing rate was determined to be 10.2%. Based on that rate of interest, the liability component and equity component of the Convertible Notes were determined to be $304.2 million and $95.8 million, respectively.

In connection with the issuance of the Convertible Notes, we entered into separate convertible note hedge transactions with respect to our common stock to reduce potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions (collectively referred to as the Call Spread Transactions). We purchased call options that permit us to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment, which is the number of shares initially issuable upon conversion of the Convertible Notes. In addition, we sold warrants permitting the purchasers to acquire up to approximately 17.6 million shares of our common stock, subject to adjustment. See Note 14—Equity for more information on the Call Spread Transactions.

NOTE 10: LEASE OBLIGATIONS, COMMITMENTS AND GUARANTEES

We lease facilities and equipment under non-cancelable operating leases. The terms of each lease agreement vary and may contain renewal or purchase options. Rental payments under operating leases are charged to expense on the straight-line basis over the period of the lease. Rental expense under operating leases of real estate, machinery, vehicles and other equipment was $42.3 million, $49.3 million and $50.3 million in fiscal 2011, 2010 and 2009, respectively.

Future rental commitments under non-cancelable operating leases as of May 1, 2011 are as follows:

	(in millions)
Fiscal Year	
2012	$ 35.9
2013	29.4
2014	23.8
2015	16.6
2016	12.4
Thereafter	37.2
Total	$ 155.3

As of May 1, 2011, future minimum lease payments under capital leases were approximately $29.9 million. The present value of the future minimum lease payments was $27.6 million. The long-term portion of capital lease obligations was $27.1 million and $27.6 million as of May 1, 2011 and May 2, 2010, respectively, and the current portion was $0.5 million and $0.6 million as of May 1, 2011 and May 2, 2010, respectively.

We have agreements, expiring through fiscal 2013, to use cold storage warehouses owned by partnerships, of which we are 50% partners. We have agreed to pay prevailing competitive rates for use of the facilities, subject to aggregate guaranteed minimum annual fees. In fiscal 2011, 2010 and 2009, we paid $18.2 million, $19.7 million and $18.7 million, respectively, in fees for use of the facilities. We had investments in the partnerships of $2.3 million as of May 1, 2011, and $2.2 million as of May 2, 2010, respectively.

We have purchase commitments with certain livestock producers that obligate us to purchase all the livestock that these producers deliver. Other arrangements obligate us to purchase a fixed amount of livestock. We also use independent farmers and their facilities to raise hogs produced from our breeding stock in exchange for a performance-based service fee payable upon delivery. We estimate the future obligations under these commitments based on available commodity livestock futures prices and internal projections about future hog prices, expected quantities delivered and anticipated performance. Our estimated future obligations under these commitments are as follows:

	(in millions)
Fiscal Year	
2012	$ 1,939.0
2013	1,136.1
2014	957.2
2015	847.4
2016	733.3

As of May 1, 2011, we were also committed to purchase approximately $340.8 million under forward grain contracts payable in fiscal 2012.

As of May 1, 2011, we had total estimated remaining capital expenditures of $136.8 million on approved projects. These projects are expected to be funded over the next several years with cash flows from operations and borrowings under credit facilities.

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated balance sheets as of May 1, 2011. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

We (together with our joint venture partners) guarantee financial obligations of certain unconsolidated joint ventures. The financial obligations are: up to $87.0 million of debt borrowed by Agroindustrial del Noroeste (Norson), of which $58.0 million was outstanding as of May 1, 2011, and up to $3.5 million of liabilities with respect to currency swaps executed by another of our unconsolidated Mexican joint ventures, Granjas Carroll de Mexico. The covenants in the guarantee relating to Norson's debt incorporate our covenants under the ABL Credit Facility. In addition, we continue to guarantee $12.4 million of leases that were transferred to JBS in connection with the sale of Smithfield Beef. Some of these lease guarantees will be released in the near future and others will remain in place until the leases expires in February 2022.

NOTE 11: INCOME TAXES

Income tax expense (benefit) consists of the following:

	Fiscal Years		
	2011	**2010**	**2009**
		(in millions)	
Current income tax (benefit) expense:			
Federal	$ 57.6	$ (150.2)	$ (45.1)
State	17.2	2.5	2.0
Foreign	3.1	(0.8)	10.4
	77.9	(148.5)	(32.7)
Deferred income tax (benefit) expense:			
Federal	128.3	55.0	(78.1)
State	24.2	(23.1)	(17.0)
Foreign	5.7	3.4	(3.5)
	158.2	35.3	(98.6)
Total income tax (benefit) expense	$ 236.1	$ (113.2)	$ (131.3)

A reconciliation of taxes computed at the federal statutory rate to the provision for income taxes is as follows:

	Fiscal Years		
	2011	**2010**	**2009**
Federal income taxes at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.4	6.5	4.5
Foreign income taxes	(1.2)	9.6	8.7
Groupe Smithfield / Campofrio merger	—	—	(7.2)
Net change in valuation allowance	(3.4)	(0.4)	(4.9)
Tax credits	(1.1)	2.3	2.5
Manufacturer's deduction	(1.8)	—	—
Impact of non-deductible goodwill	2.0	1.0	—
Other	(1.7)	(1.3)	(4.2)
Effective tax rate	31.2%	52.7%	34.4%

We had income taxes payable of $18.8 million as of May 1, 2011 and income taxes receivable of $103.6 million as of May 2, 2010.

The tax effects of temporary differences consist of the following:

	May 1, 2011	May 2, 2010
	(in millions)	
Deferred tax assets:		
Pension liabilities	$ 138.6	$ 175.3
Tax credits, carryforwards and net operating losses	96.8	141.2
Accrued expenses	41.7	48.3
Derivatives	—	52.8
Employee benefits	11.1	11.1
Other	39.6	45.3
	327.8	474.0
Valuation allowance	(66.8)	(91.5)
Total deferred tax assets	$ 261.0	$ 382.5
Deferred tax liabilities:		
Property, plant and equipment	$ 337.4	$ 267.5
Intangible assets	108.5	98.2
Derivatives	44.7	—
Investments in subsidiaries	53.5	59.6
Total deferred tax liabilities	$ 544.1	$ 425.3

The following table presents the classification of deferred taxes in our balance sheets as of May 1, 2011 and May 2, 2010:

	May 1, 2011	May 2, 2010
	(in millions)	
Other current assets	$ 39.3	$ 96.5
Other assets	5.6	5.2
Accrued expenses and other current liabilities	3.9	—
Other liabilities	324.1	144.5

Management makes an assessment to determine if its deferred tax assets are more likely than not to be realized. Valuation allowances are established in the event that management believes the related tax benefits will not be realized. The valuation allowance primarily relates to state credits, state net operating loss carryforwards and losses in foreign jurisdictions for which no tax benefit was recognized. During fiscal 2011, the valuation allowance decreased by $24.7 million resulting primarily from currency translation, release of a valuation allowance on foreign tax credits, lapse of statute of limitations and deferred tax adjustments with an immaterial amount impacting the effective tax rate.

The tax credits, carry-forwards and net operating losses expire from fiscal 2012 to 2031.

As a result of the merger of Groupe Smithfield with and into Campofrio during fiscal 2009, we were required to provide additional deferred taxes on the earnings of Groupe Smithfield that were previously deferred because they were considered

permanently reinvested, as well as on inherent gains related to the pre-merger holdings of Groupe Smithfield and Campofrio. There were foreign subsidiary net earnings that were considered permanently reinvested of $97.8 million and $19.5 million as of May 1, 2011 and May 2, 2010, respectively. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested.

A reconciliation of the beginning and ending liability for unrecognized tax benefits is as follows:

	(in millions)
Balance as of May 3, 2009	$ 40.5
Additions for tax positions taken in the current year	3.3
Additions for tax positions taken in prior years	4.0
Reductions for tax positions taken in prior years	(2.1)
Settlements with taxing authorities	(1.6)
Lapse of statute of limitations	(0.9)
Balance as of May 2, 2010	43.2
Additions for tax positions taken in the current year	4.9
Additions for tax positions taken in prior years	0.9
Settlements with taxing authorities	(7.3)
Lapse of statute of limitations	(8.1)
Balance as of May 1, 2011	$ 33.6

We operate in multiple taxing jurisdictions, both within the US and outside of the US, and are subject to examination from various tax authorities. The liability for unrecognized tax benefits included $10.4 million and $10.5 million of accrued interest as of May 1, 2011 and May 2, 2010, respectively. We recognized $0.1 million of net interest income and $0.4 million and $0.5 million of net interest expense in income tax expense (benefit) during fiscal 2011, 2010 and 2009, respectively. The liability for unrecognized tax benefits included $32.6 million as of May 1, 2011 and $32.9 million as of May 2, 2010, that if recognized, would impact the effective tax rate.

We are currently being audited in several tax jurisdictions and remain subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, we may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. We have concluded all US federal income tax matters through fiscal 2005. We are currently in appeals for the 2006 through 2010 tax years and under U.S federal examination for the 2011 tax year.

Based upon the expiration of statutes of limitations and/or the conclusion of tax examinations in several jurisdictions as of May 1, 2011, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by up to $2.0 million within twelve months of May 1, 2011.

NOTE 12: PENSION AND OTHER RETIREMENT PLANS

We provide the majority of our US employees with pension benefits. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

The following table presents a reconciliation of the pension benefit obligation, plan assets and the funded status of these pension plans.

	May 1, 2011	May 2, 2010
	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,283.9	$ 926.4
Service cost	37.0	22.6
Interest cost	74.9	73.7
Benefits paid	(69.3)	(64.2)
Actuarial loss	1.0	325.4
Other	2.4	—
Benefit obligation at end of year	1,329.9	1,283.9
Change in plan assets:[1]		
Fair value of plan assets at beginning of year	788.7	586.2
Actual return on plan assets	125.8	192.6
Employer contributions	95.1	62.6
Benefits paid	(56.2)	(52.7)
Other	3.0	—
Fair value of plan assets at end of year	956.4	788.7
Funded status	$ (373.5)	$ (495.2)
Amounts recognized in the consolidated balance sheet:		
Net long-term pension liability	$ (369.6)	$ (482.5)
Accrued expenses and other current liabilities	(4.5)	(12.7)
Other assets	0.6	—
Net amount recognized at end of year	$ (373.5)	$ (495.2)

(1) Excludes the assets and related activity of our non-qualified defined benefit pension plans. The fair value of assets related to our non-qualified plans was $117.7 million and $49.2 million as of May 1, 2011 and May 2, 2010, respectively. We made cash contributions of $33.4 million and $11.3 million in fiscal 2011 and fiscal 2010. In fiscal 2011, we also contributed company-owned life insurance policies with cash surrender values totaling $29.4 million on the date of contribution. Benefits paid for our non-qualified plans were $13.1 million and $11.5 million for fiscal 2011 and fiscal 2010, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $1.3 billion and $1.2 billion as of May 1, 2011 and May 2, 2010, respectively. The accumulated benefit obligation for all of our defined benefit pension plans exceeded the fair value of plan assets for both periods presented.

The following table shows the pre-tax unrecognized items included as components of accumulated other comprehensive loss related to our defined benefit pension plans for the periods indicated.

	May 1, 2011	May 2, 2010
	(in millions)	
Unrecognized actuarial loss	$ (365.3)	$ (460.5)
Unrecognized prior service credit	7.2	7.6

We expect to recognize $23.2 million of the actuarial loss and prior service cost as net periodic pension cost in fiscal 2012.

The following table presents the components of the net periodic pension costs for the periods indicated:

	Fiscal Years		
	2011	2010	2009
		(in millions)	
Service cost	$ 37.0	$ 22.6	$ 25.5
Interest cost	74.9	73.7	68.6
Expected return on plan assets	(63.9)	(49.3)	(69.7)
Net amortization	34.0	20.3	6.4
Net periodic pension cost	$ 82.0	$ 67.3	$ 30.8

The following table shows our weighted-average assumptions for the periods indicated.

	Fiscal Years		
	2011	2010	2009
Discount rate to determine net periodic benefit cost	6.00%	8.25%	6.90%
Discount rate to determine benefit obligation	5.85	6.00	8.25
Expected long-term rate of return on plan assets	8.00	8.25	8.25
Rate of compensation increase	4.00	4.00	4.00

We use an independent third-party actuary to assist in the determination of assumptions used and the measurement of our pension obligation and related costs. We review and select the discount rate to be used in connection with our pension obligation annually. In determining the discount rate, we use the yield on corporate bonds (rated AA or better) that coincides with the cash flows of the plans' estimated benefit payouts. The model uses a yield curve approach to discount each cash flow of the liability stream at an interest rate specifically applicable to the timing of each respective cash flow. Using imputed interest rates, the model sums the present value of each cash flow stream to calculate an equivalent weighted average discount rate. We use this resulting weighted average discount rate to determine our final discount rate.

To determine the expected long-term return on plan assets, we consider the current and anticipated asset allocations, as well as historical and estimated returns on various categories of plan assets. Long-term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary polices in order to assess the capital market assumptions. Over the 5-year period ended May 1, 2011 and May 2, 2010, the average rate of return on plan assets was approximately 3.87% and 2.87% percent, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. Our investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. 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 our plan trustees.

The following table presents the fair value of our qualified pension plan assets by major asset category as of May 1, 2011 and May 2, 2010. The allocation of our pension plan assets is based on the target range presented in the following table.

	May 1, 2011	**May 2, 2010**	**Target Range**
		(in millions)	
Asset category:			
Cash and cash equivalents, net of payables for unsettled transactions	$ 83.9	$ 86.2	0-4%
Equity securities	570.5	421.9	45-65
Debt securities	266.6	249.6	18-38
Alternative assets	35.4	31.0	2-10
Total	$ 956.4	$ 788.7	

See Note 15—Fair Value Measurements for additional information about the fair value of our pension assets.

As of May 1, 2011 and May 2, 2010, the amount of our common stock included in plan assets was 4,757,066 and 3,850,837 shares, respectively, with market values of $112.1 million and $72.2 million, respectively.

We generally contribute the minimum amount required under government regulations to our qualified pension plans, plus amounts necessary to maintain an 80% funded status in order to avoid benefit restrictions under the Pension Protection Act. Minimum employer contributions to our qualified pension plans are expected to be $61.8 million for fiscal 2012.

Expected future benefit payments for our defined benefit pension plans are as follows:

	(in millions)
Fiscal Year	
2012	$ 66.9
2013	67.8
2014	70.9
2015	74.4
2016	78.4
2017-2021	457.9

We sponsor defined contribution pension plans (401(k) plans) covering substantially all US employees. Our contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were $13.9 million, $13.9 million and $13.7 million for fiscal 2011, 2010 and 2009, respectively.

We also provide health care and life insurance benefits for certain retired employees. These plans are unfunded and generally pay covered costs reduced by retiree premium contributions, co-payments and deductibles. We retain the right to modify or eliminate these benefits. We consider disclosures related to these plans immaterial to the consolidated financial statements and related notes.

NOTE 13: REDEMPTION OF NONCONTROLLING INTERESTS

Prior to fiscal 2010, we held a 51% ownership interest in Premium Pet Health, LLC (PPH), a leading protein by-product processor that supplies many of the leading pet food processors in the United States. The partnership agreement afforded the noncontrolling interest holders an option to require us to redeem their ownership interests beginning in November 2009 (fiscal 2010). The redemption value was determinable from a specified formula based on the earnings of PPH.

In fiscal 2010, as a result of discussions with the noncontrolling interest holders, we determined that the noncontrolling interests were probable of becoming redeemable. As such, in fiscal 2010, we recorded an adjustment to increase the carrying amount of the redeemable noncontrolling interests by $32.2 million with an offsetting decrease of $19.4 million to additional paid-in capital and $12.8 million to deferred tax assets.

In November 2009 (fiscal 2010), the noncontrolling interest holders exercised their put option. In December 2009 (fiscal 2010), we acquired the remaining 49% interest in PPH for $38.9 million. Because PPH was previously consolidated into our financial statements, the acquisition of the remaining 49% interest in PPH was accounted for as an equity transaction.

NOTE 14: EQUITY

Share Repurchase Program

As of May 1, 2011, the board of directors had authorized the repurchase of up to 20,000,000 shares of our common stock. As of May 1, 2011, we had 2,873,430 additional shares remaining under the authorization. See Note 21—Subsequent Events for discussion of share repurchase authorization.

Preferred Stock

We have 1,000,000 shares of $1.00 par value preferred stock authorized, none of which are issued. The board of directors is authorized to issue preferred stock in series and to fix, by resolution, the designation, dividend rate, redemption provisions, liquidation rights, sinking fund provisions, conversion rights and voting rights of each series of preferred stock.

Stock-Based Compensation

During fiscal 2009, we adopted the 2008 Incentive Compensation Plan (the Incentive Plan), which replaced the 1998 Stock Incentive Plan and provides for the issuance of non-statutory stock options and other awards to employees, non-employee directors and consultants. There are 12,526,397 shares reserved under the Incentive Plan. As of May 1, 2011, there were 10,035,635 shares available for grant under this plan.

Stock Options

Under the Incentive Plan, we grant options for periods not exceeding 10 years, which either cliff vest five years after the date of grant or vest ratably over a three-year period with an exercise price of not less than 100% of the fair market value of the common stock on the date of grant. Compensation expense for stock options was $3.8 million, $3.5 million and $2.3 million for fiscal 2011, 2010 and 2009, respectively. The related income tax benefit recognized was $1.5 million, $1.4 million and $0.9 million, for fiscal 2011, 2010 and 2009, respectively. There was no compensation expense capitalized as part of inventory or fixed assets during fiscal 2011, 2010 and 2009.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The expected annual volatility is based on the historical volatility of our stock and other factors. We use historical data to estimate option exercises and employee termination within the pricing model. The expected term of options granted represents the period of time that options are expected to be outstanding. The following table summarizes the assumptions made in determining the fair value of stock options granted in the fiscal years indicated:

	Fiscal Years		
	2011	**2010**	**2009**
Expected annual volatility	54%	52%	25%
Dividend yield	—%	—%	—%
Risk free interest rate	1.62%	1.92%	3.96%
Expected option life (years)	4	4	8

The options granted in fiscal 2011 and fiscal 2010 were valued in separate tranches according to the expected life of each tranche. The above table reflects the weighted average risk free interest rate and expected option life of each tranche. The expected annual volatility and dividend yield were the same for all options granted in fiscal 2011 and fiscal 2010. We have never paid a cash dividend on our common stock and have no current plan to pay cash dividends.

The following table summarizes stock option activity under the Incentive Plan as of May 1, 2011, and changes during the year then ended:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value (in millions)**
Outstanding as of May 2, 2010	1,995,436	23.39		
Granted	726,167	15.37		
Exercised	(84,499)	14.64		
Forfeited	(160,498)	21.83		
Outstanding as of May 1, 2011	2,476,606	21.44	4.8	$ 11.3
Exercisable as of May 1, 2011	884,936	22.36	2.8	$ 3.0

The weighted average grant-date fair value of options granted during fiscal 2011, 2010 and 2009 was $6.61, $5.62 and $9.43, respectively. The total intrinsic value of options exercised during fiscal 2011, 2010 and 2009 was $0.4 million, $1.0 million and $0.1 million, respectively.

As of May 1, 2011, there was $4.0 million of total unrecognized compensation cost related to nonvested stock options granted under the Incentive Plan. That cost is expected to be recognized over a weighted average period of 1.3 years. The total fair value of stock options vested during fiscal 2011, 2010 and 2009 was $1.9 million, $2.4 million and $0.2 million, respectively.

Performance Share Units

The Incentive Plan also provides for the issuance of performance share units to reward employees for the achievement of performance goals. Each performance share unit represents and has a value equal to one share of our common stock. Payment of vested performance share units is generally in our common stock.

In June 2010 (fiscal 2011), we granted a total of 370,000 performance share units under the 2008 Incentive Compensation Plan (the Incentive Plan). The performance share units will vest ratably over a two-year service period provided that we achieve a certain earnings target in either fiscal 2011 or fiscal 2012, which we achieved in fiscal 2011. The fair value of the performance share units was determined based on our closing stock price on the date of grant of $17.57. The fair value is being recognized over the expected vesting period of each award.

Also, in June 2010 (fiscal 2011), we granted a number of performance share units to certain employees in our Pork Group. The actual number of performance share units were based on the achievement of certain sales volume growth targets for the Pork segment in fiscal 2011. The sales volume growth targets were not met and no performance share units were granted.

In December 2009 (fiscal 2010), we granted a total of 100,000 performance share units under the Incentive Plan. The performance share units will vest two years from the grant date provided that certain performance goals are met and the employees remain employed through the vesting date. The fair value of these performance share units was also determined based on our closing stock price on the date of grant of $16.68. The fair value of each performance share unit is being recognized as compensation expense over the two-year requisite service period.

In July 2009 (fiscal 2010), we granted a total of 622,000 performance share units under the Incentive Plan. The performance share units will vest ratably over a three-year service period provided that we achieve a certain earnings target in any of fiscal years 2010, 2011 or 2012, which we achieved in fiscal 2011. The fair value of the performance share units was determined based on our closing stock price on the date of grant of $10.64. The fair value is being recognized over the expected vesting period each award.

In fiscal 2009, we granted a total of 160,000 performance share units. The performance share units have a five-year term and each performance share unit represents and has a value equal to one share of our common stock. The performance share units vest in 20% increments once the volume-weighted average of the closing price of our common stock for 15 consecutive trading days equals or exceeds $26, $32, $38, $44 and $50. In addition to these vesting requirements, a participant must generally be employed by us one year from the date of grant for the performance share units granted to such participant to vest. Payment of the vested performance share units shall be in our common stock. The fair value of the performance share units was estimated on the date of grant using a Monte-Carlo Simulation technique. The weighted average grant-date fair value of the performance share units was $12.13.

In fiscal 2011, 237,500 performance share units were forfeited. The number of performance share units outstanding as of May 1, 2011 was 1,189,500. As of May 1, 2011, the number of performance share units that had vested was 253,167. Compensation expense related to all outstanding performance share units was $7.5 million, $3.1 million and $1.6 million in fiscal 2011, 2010 and 2009, respectively. The related income tax benefit recognized was $2.9 million, $1.2 million and $0.6 million for fiscal 2011, 2010 and 2009, respectively. As of May 1, 2011, there was approximately $3.5 million of total unrecognized compensation cost related to the performance share units, substantially all of which is expected to be recognized in fiscal 2012.

Call Spread Transactions

In connection with the issuance of the Convertible Notes (see Note 9—Debt), we entered into separate convertible note hedge transactions with respect to our common stock to minimize the impact of potential economic dilution upon conversion of the Convertible Notes, and separate warrant transactions.

We purchased call options in private transactions that permit us to acquire up to approximately 17.6 million shares of our common stock at an initial strike price of $22.68 per share, subject to adjustment, for $88.2 million. In general, the call options allow us to acquire a number of shares of our common stock initially equal to the number of shares of common stock issuable to the holders of the Convertible Notes upon conversion. These call options will terminate upon the maturity of the Convertible Notes.

We also sold warrants in private transactions for total proceeds of approximately $36.7 million. The warrants permit the purchasers to acquire up to approximately 17.6 million shares of our common stock at an initial exercise price of $30.54 per share, subject to adjustment. The warrants expire on various dates from October 2013 (fiscal 2014) to December 2013 (fiscal 2014).

The Call Spread Transactions, in effect, increase the initial conversion price of the Convertible Notes from $22.68 per share to $30.54 per share, thus reducing the potential future economic dilution associated with conversion of the notes. The Convertible Notes and the warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

We have analyzed the Call Spread Transactions and determined that they meet the criteria for classification as equity instruments. As a result, we recorded the purchase of the call options as a reduction to additional paid-in capital and the proceeds of the warrants as an increase to additional paid-in capital. Subsequent changes in fair value of those instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

Preferred Share Purchase Rights

On May 30, 2001, the board of directors adopted a Shareholder Rights Plan (the Rights Plan) and declared a dividend of one preferred share purchase right (a Right) on each outstanding share of common stock. Under the terms of the Rights Plan, if a person or group acquired 15% (or other applicable percentage, as provided in the Rights Plan) or more of the outstanding common stock, each Right would have entitled its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of common stock having a market value of twice such price. In addition, if we were acquired in a merger or other business transaction after a person or group acquired such percentage of the outstanding common stock, each Right would have entitled its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price.

Upon the occurrence of certain events, each Right would have entitled its holder to buy one two-thousandth of a Series A junior participating preferred share (Preferred Share), par value $1.00 per share, at an exercise price of $90.00 subject to adjustment. Each Preferred Share entitles its holder to 2,000 votes and has an aggregate dividend rate of 2,000 times the amount, if any, paid to holders of common stock. The Rights Plan expired on May 31, 2011. The adoption of the Rights Plan had no impact on our financial position or results of operations.

Stock Held in Trust

We maintain a Supplemental Pension Plan (the Supplemental Plan) the purpose of which is to provide supplemental retirement income benefits for those eligible employees whose benefits under the tax-qualified plans are subject to statutory limitations. A grantor trust has been established for the purpose of satisfying the obligations under the plan. As of May 1, 2011, the Supplemental Plan held 2,616,687 shares of our common stock at an average cost of $23.75.

As part of the Incentive Plan director fee deferral program, we purchase shares of our common stock on the open market for the benefit of the plan's participants. These shares are held in a rabbi trust until they are transferred to the participants. As of May 1, 2011, the rabbi trust held 236,717 shares of our common stock at an average cost of $19.23.

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) and the related activity during fiscal 2011, 2010 and 2009:

	Foreign Currency Translation	Pension Accounting	Hedge Accounting	Accumulated Other Comprehensive Income (Loss)
		(in millions)		
Balance at April 27, 2008	$ 132.4	$ (61.9)	$ (5.1)	$ 65.4
Unrecognized losses	(261.0)	(199.2)	(251.6)	(711.8)
Reclassification into net earnings	1.0	5.7	146.8	153.5
Tax effect	—	71.6	32.8	104.4
Other comprehensive loss	(260.0)	(121.9)	(72.0)	(453.9)
Balance at May 3, 2009	(127.6)	(183.8)	(77.1)	(388.5)
Unrecognized gains (losses)	3.4	(179.9)	(26.6)	(203.1)
Reclassification into net earnings	—	20.3	98.3	118.6
Tax effect	1.5	63.1	(19.1)	45.5
Other comprehensive income (loss)	4.9	(96.5)	52.6	(39.0)
Balance at May 2, 2010	(122.7)	(280.3)	(24.5)	(427.5)
Unrecognized gains	120.2	60.8	144.9	325.9
Reclassification into net earnings	—	38.9	(26.6)	12.3
Tax effect	2.9	(37.1)	(45.7)	(79.9)
Other comprehensive income	123.1	62.6	72.6	258.3
Balance at May 1, 2011	$ 0.4	$ (217.7)	$ 48.1	$ (169.2)

NOTE 15: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.

- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities have been classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

When available, we use quoted market prices to determine fair value and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market-based inputs (i.e., Bloomberg and commodity exchanges) to calculate fair value, in which case the measurements are classified within Level 2. When quoted market prices or observable market-based inputs are unavailable, or when our fair value measurements incorporate significant unobservable inputs, we would classify such measurements within Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of May 1, 2011 and May 2, 2010:

	May 1, 2011				May 2, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				*(in millions)*			
Assets								
Derivatives:								
Commodity contracts	$ 45.2	$ 34.6	$ —	$ 79.8	$ —	$ —	$ —	$ —
Foreign exchange contracts	—	0.5	—	0.5	—	3.5	—	3.5
Money market fund	—	—	—	—	325.4	—	—	325.4
Insurance contracts	49.4	—	—	49.4	42.7	—	—	42.7
Total	$ 94.6	$ 35.1	$ —	$ 129.7	$ 368.1	$ 3.5	$ —	$ 371.6
Liabilities								
Derivatives:								
Commodity contracts	$ 16.8	$ —	$ —	$ 16.8	$ 112.2	$ 7.3	$ —	$ 119.5
Interest rate contracts	—	2.3	—	2.3	—	8.1	—	8.1
Foreign exchange contracts	—	1.9	—	1.9	—	0.2	—	0.2
Total	$ 16.8	$ 4.2	$ —	$ 21.0	$ 112.2	$ 15.6	$ —	$ 127.8

We invest our cash in an overnight money market fund, which is treated as a trading security with the unrealized gains recorded in earnings.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment.

In fiscal 2011 and fiscal 2010, we recorded impairment charges totaling $9.2 million and $51.3 million, respectively, to write-down certain assets, consisting primarily of property, plant and equipment, to their estimated fair values. The fair value measurements of these assets were determined using relevant market data based on recent transactions for similar assets and third party estimates, which we classify as Level 2 inputs. Fair values were also determined using valuation techniques, which incorporate unobservable inputs that reflect our own assumptions regarding how market participants would price the assets, which we classify as Level 3 inputs.

Pension Plan Assets

The following table summarizes our pension plan assets measured at fair value on a recurring basis (at least annually) as of May 1, 2011 and May 2, 2010:

	May 1, 2011				May 2, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)				*(in millions)*			
Cash equivalents	$ 3.0	$ 87.5	$ —	$ 90.5	$ 2.8	$ 93.9	$ —	$ 96.7
Equity securities:								
Preferred stock	—	0.3	—	0.3	—	0.2	—	0.2
US common stock:								
Health care	32.0	—	—	32.0	27.3	—	—	27.3
Utilities	3.8	—	—	3.8	3.9	—	—	3.9
Financials	41.0	—	—	41.0	32.9	—	—	32.9
Consumer staples	128.1	—	—	128.1	82.0	—	—	82.0
Consumer discretionary	32.3	—	—	32.3	23.3	—	—	23.3
Materials	14.6	—	—	14.6	9.1	—	—	9.1
Energy	30.0	—	—	30.0	18.6	—	—	18.6
Information technology	34.2	—	—	34.2	19.4	—	—	19.4
Industrials	38.5	—	—	38.5	25.1	—	—	25.1
Telecommunication service	2.1	—	—	2.1	1.2	—	—	1.2
International common stock	23.0	—	—	23.0	15.2	—	—	15.2
Mutual funds:								
International	42.9	45.0	—	87.9	35.8	70.1	—	105.9
Domestic large cap	—	70.0	—	70.0	—	57.8	—	57.8
Balanced	32.7	—	—	32.7	—	—	—	—
Fixed income:								
Mutual funds	108.9	1.5	—	110.4	72.7	2.7	—	75.4
Asset-backed securities	—	69.5	—	69.5	—	53.4	—	53.4
Corporate debt securities	—	44.4	—	44.4	—	67.7	—	67.7
Government debt securities	32.9	9.4	—	42.3	35.7	17.4	—	53.1
Limited partnerships	—	—	33.6	33.6	—	—	29.2	29.2
Insurance contracts	—	—	1.8	1.8	—	—	1.8	1.8
Total fair value	$600.0	$327.6	$35.4	963.0	$405.0	$363.2	$31.0	799.2
Net payables for unsettled transactions				(6.6)				(10.5)
Total plan assets				$956.4				$788.7

The following table summarizes the changes in our Level 3 pension plan assets for the year-ended May 1, 2011 and May 2, 2010:

	Insurance Contracts	Limited Partnerships
	(in millions)	
Balance, May 3, 2009	$ 2.0	$ 23.9
Actual return on plan assets:		
Related to assets held at the reporting date	—	(2.9)
Related to assets sold during the period	—	0.2
Purchases, sales and settlements, net	(0.2)	8.0
Balance, May 2, 2010	1.8	29.2
Actual return on plan assets:		
Related to assets held at the reporting date	—	1.2
Related to assets sold during the period	—	1.3
Purchases, sales and settlements, net	—	1.9
Balance, May 1, 2011	$ 1.8	$ 33.6

Other Financial Instruments

We determine the fair value of public debt using quoted market prices. We value all other debt using discounted cash flow techniques at estimated market prices for similar issues. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of May 1, 2011 and May 2, 2010.

	May 1, 2011		May 2, 2010	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(in millions)			
Total Debt	$2,418.0	$2,094.7	$3,229.3	$2,963.0

The carrying amounts of cash and cash equivalents, accounts receivable, notes payable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 16: RELATED PARTY TRANSACTIONS

The following table presents amounts owed from and to related parties as of May 1, 2011 and May 2, 2010:

	May 1, 2011	May 2, 2010
	(in millions)	
Current receivables from related parties	$ 11.3	$ 19.2
Long-term receivables from related parties	2.8	17.4
Total receivables from related parties	$ 14.1	$ 36.6
Current payables to related parties	$ 10.9	$ 13.9
Long-term payables to related parties	—	—
Total payables to related parties	$ 10.9	$ 13.9

Wendell Murphy, a director of ours, is an owner of Murfam Enterprises, LLC (Murfam), DM Farms, LLC (DM Farms) and Murphy Milling Company (Murphy Milling). Murfam and DM Farms produce hogs under contract to us. Murfam and Murphy Milling produce and sell feed ingredients to us. In January 2011 (fiscal 2011), Wendell Murphy's interest in DM Farms was sold to a member of his immediate family. In fiscal 2011, 2010 and 2009, we paid $46.8 million, $30.6 million and $26.2 million, respectively, to these entities for the production of hogs and feed ingredients.

Wendell Murphy also has immediate family members who hold ownership interests in Arrowhead Farms, Inc., Crusader Farms, LLC, Enviro-Tech Farms, Inc., Golden Farms, Inc., Lisbon 1 Farm, Inc., Murphy-Honour Farms, Inc., PSM Associates LLC, Pure Country Farms, LLC, Stantonsburg Farm, Inc., Triumph Associates LLC and Webber Farms, Inc. A vice president of our Hog Production segment also holds an ownership interest in Lisbon 1 Farm, Inc. These farms either produce and sell hogs to us or produce and sell feed ingredients to us. In fiscal 2011, 2010 and 2009, we paid $17.2 million, $14.3 million and $20.6 million, respectively, to these entities for hogs and feed ingredients.

The chief executive officer and a vice president of our Hog Production segment hold ownership interests in JCT LLC (JCT). JCT owns certain farms that produce hogs under contract with the Hog Production segment. In fiscal 2011, 2010 and 2009, we paid $7.8 million, $8.0 million and $7.3 million, respectively, to JCT for the production of hogs. In fiscal 2011, 2010 and 2009, we received $3.3 million, $3.1 million and $3.2 million, respectively, from JCT for reimbursement of associated farm and other support costs.

Two vice presidents of our Hog Production segment have ownership interests in Sea Coast, LLC. One of these vice presidents is the sole owner of Advantage Farms, LLC and the other is a partial owner of Texas Hogs, LLC. Another vice president of our Hog Production segment is the sole owner of Old Oak Farms, LLC. These companies produce and raise hogs for us under contractual arrangements that are consistent with third party grower contracts. In fiscal 2011, 2010 and 2009, we paid service fees of $2.2 million, $0.9 million and $0.9 million, respectively, to these companies. In fiscal 2011, 2010 and 2009, we received $0.5 million, $0.5 million and $0.2 million, respectively, from these companies for reimbursement of associated farm and other support costs.

As described in Note 3—Impairment and Disposal of Long-lived Assets, immediately preceding the closing of the JBS transaction we acquired CGC's 50 percent investment in Five Rivers for 2,166,667 shares of our common stock valued at $27.87 per share and $8.7 million for working capital adjustments. Based on a Schedule 13D/A filed on June 16, 2010, CGC is now a beneficial owner of approximately 7.9% of our common stock. Paul J. Fribourg, a former member of our board of directors, is Chairman, President and Chief Executive Officer of CGC. Michael Zimmerman, a former advisory director of the Company, is Executive Vice President and Chief Financial Officer of CGC.

We believe that the terms of the foregoing arrangements were no less favorable to us than if entered into with unaffiliated companies.

NOTE 17: REGULATION AND CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

Missouri Litigation

Premium Standard Farms, Inc. (PSF) is a wholly owned subsidiary that we acquired on May 7, 2007 when a wholly owned subsidiary of ours merged with and into PSF.

In 2002, lawsuits based on the law of nuisance were filed against PSF and CGC in the Circuit Court of Jackson County, Missouri entitled *Steven Adwell, et al. v. PSF, et al*. and *Michael Adwell, et al. v. PSF, et al*. In November 2006, a jury trial involving six plaintiffs in the *Adwell* cases resulted in a jury verdict of compensatory damages for those six plaintiffs in the amount of $750,000 each for a total of $4.5 million. The jury also found that CGC and PSF were liable for punitive damages; however, the parties agreed to settle the plaintiffs' claims for the amount of the compensatory damages, and the plaintiffs waived punitive damages.

On March 1, 2007, the court severed the claims of the remaining *Adwell* plaintiffs into separate actions and ordered that they be consolidated for trial by household. In the second *Adwell* trial, a jury trial involving three plaintiffs resulted in a jury verdict in December 2007 in favor of PSF and CGC as to all claims. On July 8, 2008, the court reconsolidated the claims of the remaining 49 *Adwell* plaintiffs for trial by farm.

On March 4, 2010, a jury trial involving 15 plaintiffs who live near Homan farm resulted in a jury verdict of compensatory damages for the plaintiffs for a total of $11,050,000. Thirteen of the Homan farm plaintiffs received damages in the amount of $825,000 each. One of the plaintiffs received damages in the amount of $250,000, while another plaintiff received $75,000. The Court of Appeals of Missouri (Western District) denied defendants' appeal. On May 17, 2011, defendants filed an Application for Transfer of the appeal with the Missouri Supreme Court, which remains pending. We believe that there are substantial grounds for reversal of the verdict on appeal. Pursuant to a pre-existing arrangement, PSF is obligated to indemnify CGC for certain liabilities, if any, resulting from the Missouri litigation, including any liabilities resulting from the foregoing verdict.

The next *Adwell* trial, which will resolve the claims of up to 28 plaintiffs who live near Scott Colby farm is currently scheduled to commence on August 1, 2011.

In March 2004, the same attorneys representing the *Adwell* plaintiffs filed two additional nuisance lawsuits in the Circuit Court of Jackson County, Missouri entitled *Fred Torrey, et al. v. PSF, et al*. and *Doyle Bounds, et al. v. PSF, et al*. There are seven plaintiffs in both suits combined, each of whom claims to live near swine farms owned or under contract with PSF. Plaintiffs allege that these farms interfered with the plaintiffs' use and enjoyment of their respective properties. Plaintiffs in the *Torrey* suit also allege trespass.

In May 2004, two additional nuisance suits were filed in the Circuit Court of Daviess County, Missouri entitled *Vernon Hanes, et al. v. PSF, et al*. and *Steve Hanes, et al. v. PSF, et al*. Plaintiffs in the *Vernon Hanes* case allege nuisance, negligence, violation of civil rights, and negligence of contractor. In addition, plaintiffs in both the *Vernon* and *Steve Hanes* cases assert personal injury and property damage claims. Plaintiffs seek recovery of an unspecified amount of compensatory and punitive damages, costs and attorneys' fees, as well as injunctive relief. On March 28, 2008, plaintiffs in the *Vernon Hanes* case voluntarily dismissed all claims without prejudice. A new petition was filed by the *Vernon Hanes* plaintiffs on April 14, 2008, alleging nuisance, negligence and trespass against six defendants, including us. We filed a Motion for Summary Judgment seeking its dismissal from the *Vernon Hanes* case, which was granted by the Court on September 1, 2010. Trial for the remaining claims commenced on June 2, 2011.

Also in May 2004, the same lead lawyer who filed the *Adwell*, *Bounds* and *Torrey* lawsuits filed a putative class action lawsuit entitled *Daniel Herrold, et al. and Others Similarly Situated v. ContiGroup Companies, Inc., PSF, and PSF Group Holdings, Inc*. in the Circuit Court of Jackson County, Missouri. This action originally sought to create a class of plaintiffs living within ten miles of PSF's farms in northern Missouri, including contract grower farms, who were alleged to have suffered interference with their right to use and enjoy their respective properties. On January 22, 2007, plaintiffs in the *Herrold* case filed a Second Amended Petition in which they abandoned all class action allegations and efforts to certify the action as a class action and added an additional 193 named plaintiffs to join the seven prior class representatives to pursue a one count claim

to recover monetary damages, both actual and punitive, for temporary nuisance. On June 28, 2007, the court entered an order granting defendants' motion to transfer venue to the northern Missouri counties in which the alleged injuries occurred. As a result of those rulings, the claims of all but seven of the plaintiffs have been transferred to the appropriate venues in northern Missouri.

Following the initial transfers, plaintiffs filed motions to transfer each of the cases back to Jackson County. Those motions were denied in all nine cases, but seven cases were transferred to neighboring counties pursuant to Missouri's venue rules. Following all transfers, *Herrold* cases were pending in Chariton, Clark, DeKalb, Harrison, Jackson, Linn, and Nodaway counties. Plaintiffs agreed to file Amended Petitions in all cases except Jackson County; however, Amended Petitions have been filed in only Chariton, Clark, Harrison, Linn and Nodaway counties. In the Amended Petitions filed in Chariton on April 30, 2010 and in Linn on May 13, 2010, plaintiffs added claims of negligence and also claim that defendants are liable for the alleged negligence of several contract grower farms. Pursuant to notices of dismissal filed by plaintiffs on January 27, February 23 and April 10, 2009, all cases in Nodaway County have been dismissed. Discovery is now proceeding in the remaining cases where Amended Petitions have been filed.

In February 2006, the same lawyer who represents the plaintiffs in *Hanes* filed a nuisance lawsuit entitled *Garold McDaniel, et al. v. PSF, et al*. in the Circuit Court of Daviess County, Missouri. In the Second Amended Petition, which was filed on February 2008, plaintiffs seek recovery of an unspecified amount of compensatory and punitive damages, costs and injunctive relief. Two of the four plaintiffs settled their claims; PSF purchased their property for $285,000 in exchange for a full release. A third plaintiff is deceased, leaving a single plaintiff in the case. The remaining parties are conducting discovery, and no trial date has been set.

In May 2007, the same lead lawyer who filed the *Adwell*, *Bounds*, *Herrold* and *Torrey* lawsuits filed a nuisance lawsuit entitled *Jake Cooper, et al. v. Smithfield Foods, Inc., et al*. in the Circuit Court of Vernon County, Missouri. Murphy-Brown, LLC, Murphy Farms, LLC, Murphy Farms, Inc. and we have all been named as defendants. The other seven named defendants include Murphy Family Ventures, LLC, DM Farms of Rose Hill, LLC, and PSM Associates, LLC, which are entities affiliated with Wendell Murphy, a director of ours, and/or his family members. Initially there were 13 plaintiffs in the lawsuit, but the claims of two plaintiffs were voluntarily dismissed without prejudice. All remaining plaintiffs are current or former residents of Vernon and Barton Counties, Missouri, each of whom claims to live or have lived near swine farms presently or previously owned or managed by the defendants. Plaintiffs allege that odors from these farms interfered with the use and enjoyment of their respective properties. Plaintiffs seek recovery of an unspecified amount of compensatory and punitive damages, costs and attorneys' fees. Defendants have filed responsive pleadings and discovery is ongoing.

In July 2008, the same lawyers who filed the *Adwell*, *Bounds*, *Herrold*, *Torrey* and *Cooper* lawsuits filed a nuisance lawsuit entitled *John Arnold, et al. v. Smithfield Foods, Inc., et al.* in the Circuit Court of Daviess County, Missouri. The Company and two of our subsidiaries, PSF and KC2 Real Estate LLC were named as defendants. In August 2008, plaintiffs filed a second Petition adding one employee as a defendant. There were three plaintiffs in the lawsuit, who are residents of Daviess County and who claimed to live near swine farms owned or operated by defendants. Plaintiffs alleged that odors from these farms cause nuisances that interfere with the use and enjoyment of their properties. On April 20, 2009, plaintiffs voluntarily dismissed this case without prejudice. Plaintiffs refiled the case on April 20, 2010, adding CGC as a defendant. Defendants have filed responsive pleadings, including a motion to dismiss all claims against the employee-defendant.

In November 2010 (fiscal 2011), we reached a settlement with one of our insurance carriers regarding the reimbursement of certain past and future defense costs associated with our Missouri litigation. Related to this matter, we recognized a net benefit of $19.1 million in selling, general and administrative expenses in the Hog Production segment in the second quarter of fiscal 2011.

We believe we have good defenses to all of the actions described above and intend to defend vigorously these suits. Although we recognize the uncertainties of litigation, based on our historical experience and our understanding of the facts and circumstances underlying these claims, we believe that these claims will not have a material adverse effect on our results of operations or financial condition.

Our policy for establishing accruals and disclosures for contingent liabilities is contained in Note 1—Summary of Significant Accounting Policies. We established an accrual estimating our liability for these and similar potential claims on the opening balance sheet for our acquisition of PSF. Consequently, expenses and other liabilities associated with these claims will not affect our profits or losses unless our accrual proves to be insufficient or excessive. However, legal expenses incurred in our and our subsidiaries' defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact our cash flows and our liquidity position.

Given the inherent uncertainty of the outcome for these and similar potential claims, it is possible that the total costs incurred related to these and similar potential claims could exceed our current estimates. As of May 1, 2011, we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for these contingencies. We will continue to review the amount of any necessary accruals or other related expenses and record charges in the period in which the determination is made that an adjustment is required.

Fire Insurance Settlement

In July 2009 (fiscal 2010), a fire occurred at the primary manufacturing facility of our subsidiary, Patrick Cudahy, Inc. (Patrick Cudahy), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entir e facility. Shortly after the fire, we resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Company and third-party facilities.

We maintain comprehensive general liability and property insurance, including business interruption insurance. In December 2010 (fiscal 2011), we reached an agreement with our insurance carriers to settle the claim for a total of $208.0 million, of which $70.0 million had been advanced to us in fiscal 2010. We allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses incurred and business interruption losses that resulted from the fire. The remaining proceeds were recognized as an involuntary conversion gain of $120.6 million in the Corporate segment in the third quarter of fiscal 2011. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income.

Based on an evaluation of business interruption losses incurred, we recognized $15.8 million and $31.8 million in fiscal 2011 and fiscal 2010, respectively, of the insurance proceeds in cost of sales in our Pork segment to offset business interruption losses incurred.

Of the $208.0 million in insurance proceeds received to settle the claim, $120.6 million and $9.9 million has been classified in net cash flows from investing activities in the consolidated statements of cash flows for fiscal 2011 and fiscal 2010, respectively, which represents the portion of proceeds related to destruction of the facility. The remainder of the proceeds was recorded in net cash flows from operating activities in the consolidated statements of cash flows and was attributed to business interruption recoveries and reimbursable costs covered under our insurance policy.

NOTE 18: REPORTING SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations. Our reportable segments are: Pork, Hog Production, International Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

Prior to the first quarter of fiscal 2011, our hog production operations in Poland and Romania and our interest in hog production operations in Mexico were included in our Hog Production segment. In the first quarter of fiscal 2011, these operations were moved into our International segment to more appropriately align our operating segments with the way our

chief operating decision maker now assesses performance of these segments and allocates resources to these segments. The fiscal 2010 and fiscal 2009 results presented below have been restated to reflect this change in our reportable segments. As discussed in Note 3—Impairment and Disposal of Long-lived Assets, we sold our Beef operations in fiscal 2009, the results of which are reported as discontinued operations.

Pork Segment

The Pork segment consists mainly of our three wholly owned US fresh pork and packaged meats subsidiaries. The Pork segment produces a wide variety of fresh pork and packaged meats products in the US and markets them nationwide and to numerous foreign markets, including China, Japan, Mexico, Russia and Canada. Fresh pork products include loins, butts, picnics and ribs, among others. Packaged meats products include smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dry meat products, and ready-to-eat, prepared foods such as pre-cooked entrees and pre-cooked bacon and sausage.

The following table shows the percentages of Pork segment revenues derived from packaged meats and fresh pork for the fiscal years indicated.

		Fiscal Years	
	2011	**2010**	**2009**
Packaged meats	56%	55%	53%
Fresh pork[1]	44	45	47
	100%	100%	100%

(1) Includes by-products and rendering.

Hog Production Segment

The Hog Production segment consists of our hog production operations located in the US The Hog Production segment operates numerous facilities with approximately 827,000 sows producing about 16.4 million finisher hogs annually. The Hog Production segment produces approximately 49% of the Pork segment's live hog requirements. We own certain genetic lines of specialized breeding stock which are marketed using the name Smithfield Premium Genetics (SPG). All SPG hogs are processed internally.

The following table shows the percentages of Hog Production segment revenues derived from hogs sold internally and externally, and other products for the fiscal years indicated.

		Fiscal Years	
	2011	**2010**	**2009**
Internal hog sales	78%	77%	80%
External hog sales	21	20	17
Other products[1]	1	3	3
	100%	100%	100%

(1) Consists primarily of feed.

International Segment

The International segment includes our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. Our international meat processing operations produce a wide variety of fresh pork, beef, poultry and packaged meats products, including cooked hams, sausages, hot dogs, bacon and canned meats.

The following table shows the percentages of International segment revenues derived from packaged meats, fresh pork and other products for the fiscal years indicated.

	Fiscal Years		
	2011	**2010**	**2009**
Packaged meats	45%	45%	46%
Fresh pork	24	26	31
Other products[1]	31	29	23
	100%	100%	100%

(1) Includes poultry, beef, external hog sales, by-products and rendering

Other Segment

The Other segment, contains the results of several recently disposed businesses, including our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010 (fiscal 2011), as well as our former live cattle operations, which were sold in the first quarter of fiscal 2010. Our live cattle operations consisted of the live cattle inventories that were excluded from the sale of Smithfield Beef, Inc. (Smithfield Beef) in October 2008 (fiscal 2009). See Note 3—Impairment and Disposal of Long-lived Assets for further discussion of these dispositions.

Corporate Segment

The Corporate segment provides management and administrative services to support our other segments.

Segment Results

The following tables present information about the results of operations and the assets of our reportable segments for the fiscal years presented. The information contains certain allocations of expenses that we deem reasonable and appropriate for the evaluation of results of operations. We do not allocate income taxes to segments. Segment assets exclude intersegment account balances as we believe their inclusion would be misleading or not meaningful. We believe all intersegment sales are at prices that approximate market.

	Fiscal Years		
	2011	**2010**	**2009**
		(in millions)	
Segment Profit Information			
Sales:			
Segment sales—			
Pork	$ 10,263.9	$ 9,326.3	$ 10,450.9
Hog Production	2,705.1	2,207.8	2,428.2
International	1,340.7	1,277.2	1,377.5
Other	74.7	153.3	250.8
Total segment sales	14,384.4	12,964.6	14,507.4
Intersegment sales—			
Pork	(30.5)	(31.5)	(43.9)
Hog Production	(2,113.0)	(1,695.0)	(1,936.8)
International	(38.2)	(35.5)	(39.0)
Total intersegment sales	(2,181.7)	(1,762.0)	(2,019.7)
Consolidated sales	$ 12,202.7	$ 11,202.6	$ 12,487.7
Depreciation and amortization:			
Pork	$ 125.5	$ 126.0	$ 140.5
Hog Production	65.7	74.9	83.2
International	38.1	37.4	41.8
Other	0.1	0.2	0.4
Corporate	2.5	3.8	4.6
Consolidated depreciation and amortization	$ 231.9	$ 242.3	$ 270.5

	Fiscal Years		
	2011	**2010**	**2009**
		(in millions)	
Interest expense:			
Pork	$ 42.4	$ 48.9	$ 76.6
Hog Production	124.5	100.5	39.1
International	28.2	37.7	64.4
Other	4.2	6.9	2.7
Corporate	46.1	72.4	39.0
Consolidated interest expense	$ 245.4	$ 266.4	$ 221.8
Equity in (income) loss of affiliates:			
Pork	$ (2.0)	$ (3.6)	$ (3.0)
Hog Production	(0.4)	0.7	0.4
International	(46.5)	(17.2)	17.8
Other	(1.2)	(18.5)	34.9
Corporate		—	—
Consolidated equity in (income) loss of affiliates	$ (50.1)	$ (38.6)	$ 50.1
Operating profit (loss):			
Pork	$ 753.4	$ 538.7	$ 395.2
Hog Production	224.4	(539.2)	(491.3)
International	115.9	127.9	5.0
Other	(2.4)	3.6	(46.6)
Corporate	3.7	(68.2)	(86.2)
Consolidated operating profit (loss)	$ 1,095.0	$ 62.8	$ (223.9)

	May 1, 2011	May 2, 2010	May 3, 2009
		(in millions)	
Segment Asset Information			
Total assets:			
Pork	$ 2,620.2	$ 2,579.3	$ 2,571.3
Hog Production	2,074.2	2,020.9	2,159.8
International	1,885.1	1,650.1	1,602.4
Other	—	169.4	186.5
Corporate	1,032.3	1,289.2	680.2
Consolidated total assets	$ 7,611.8	$ 7,708.9	$ 7,200.2
Investments:			
Pork	$ 17.4	$ 17.1	$ 15.5
Hog Production	2.7	2.4	2.2
International	544.9	478.7	465.6
Other	—	106.7	87.0
Corporate	17.5	20.1	31.3
Consolidated investments	$ 582.5	$ 625.0	$ 601.6
Capital expenditures:			
Pork	$ 81.3	$ 141.7	$ 115.1
Hog Production	68.6	10.0	25.8
International	26.8	22.1	23.6
Corporate	0.1	0.9	14.8
Discontinued operations	—	—	7.1
Consolidated capital expenditures	$ 176.8	$ 174.7	$ 186.4

The following table shows the change in the carrying amount of goodwill by reportable segment:

	Pork	International	Hog Production	Other	Total
			(in millions)		
Balance, May 3, 2009	$ 217.6	$ 127.8	$ 455.1	$ 19.5	$ 820.0
Impairment(1)	(0.5)	—	(6.0)	—	(6.5)
Other goodwill adjustments(2)	(0.6)	13.6	(3.6)	—	9.4
Balance, May 2, 2010	216.5	141.4	445.5	19.5	822.9
Disposals(1)	—	—	(25.5)	(19.5)	(45.0)
Other goodwill adjustments(2)	(0.4)	15.8	—	—	15.4
Balance, May 1, 2011	$ 216.1	$ 157.2	$ 420.0	$ —	$ 793.3

(1) See Note 3—Impairment and Disposal of Long-lived Assets for discussion of disposals and impairments.

(2) Other goodwill adjustments primarily include the effects of foreign currency translation.

The following table presents our consolidated sales and long-lived assets attributed to operations by geographic area for the fiscal years ended May 1, 2011, May 2, 2010 and May 3, 2009:

		Fiscal Years	
	2011	**2010**	**2009**
		(in millions)	
Sales:			
US	$ 10,900.2	$ 9,960.9	$ 11,149.2
International	1,302.5	1,241.7	1,338.5
Total sales	$ 12,202.7	$ 11,202.6	$ 12,487.7

	May 1, 2011	**May 2, 2010**	**May 3, 2009**
		(in millions)	
Long-lived assets:			
US	$ 2,923.0	$ 3,203.0	$ 3,237.7
International	1,350.9	1,185.6	1,178.0
Total long-lived assets	$ 4,273.9	$ 4,388.6	$ 4,415.7

NOTE 19: SUPPLEMENTAL CASH FLOW INFORMATION

		Fiscal Years	
	2011	**2010**	**2009**
Supplemental disclosures of cash flow information:			
Interest paid	$ (223.3)	$ (210.6)	$ (194.4)
Income taxes received, net	34.8	76.8	48.4
Non-cash investing and financing activities:			
Capital lease	$ —	$ 24.7	$ —
Sale of interest in Groupe Smithfield in exchange for shares of Campofrio	—	—	272.0
Investment in Butterball	—	—	(24.5)
Common stock issued for acquisition	—	—	(60.4)

NOTE 20: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First	Second	Third	Fourth	Fiscal Year
	(in millions, except per share data)				
Fiscal 2011					
Sales	$2,901.3	$2,998.8	$3,186.2	$3,116.4	$12,202.7
Gross profit	367.7	432.7	457.2	456.5	1,714.1
Operating profit	177.6	278.1	372.7	266.6	1,095.0
Net income	76.3	143.7	202.6	98.4	521.0
Net income per share:(1)					
Basic	$ .46	$ .87	$ 1.22	$ .59	$ 3.14
Diluted	$ .46	$ .86	$ 1.21	$ .59	$ 3.12
Fiscal 2010					
Sales	$2,715.3	$2,692.4	$2,884.7	$2,910.2	$11,202.6
Gross profit	98.7	168.3	284.2	178.9	730.1
Operating (loss) profit	(74.8)	1.8	96.5	39.3	62.8
Net (loss) income	(107.7)	(26.4)	37.3	(4.6)	(101.4)
Net (loss) income per share:(1)					
Basic	$ (.75)	$ (.17)	$ .22	$ (.03)	$ (.65)
Diluted	$ (.75)	$ (.17)	$ .22	$ (.03)	$ (.65)

(1) Per common share amounts for the quarters and full years have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the weighted average common shares outstanding during each period.

The following significant infrequent or unusual items impacted our quarterly results in fiscal 2011 and fiscal 2010:

Fiscal 2011

- Operating profit in the first, second, third and fourth quarters included charges associated with the Cost Savings Initiative of $0.5 million, $15.3 million, $10.9 million and $1.3 million, respectively.
- Net income in the second, third and fourth quarters included losses on debt extinguishment of $7.3 million, $14.1 million and $71.1 million, respectively.
- Operating profit in the third quarter included an involuntary conversion gain on fire insurance recovery of $120.6 million and a net benefit of $19.1 million related to an insurance litigation settlement.
- Operating profit in the third and fourth quarters included net gains of $5.1 million and $13.6 million, respectively, on the sale of hog farms.

Fiscal 2010

- Operating (loss) profit in the first, second, third and fourth quarters included charges associated with the Restructuring Plan of $6.3 million, $3.4 million, $3.8 million and $3.8 million, respectively.

- Operating loss in the first quarter included $34.1 million of impairment charges related to certain hog farms.
- Net loss in the first and second quarters included losses on debt extinguishment of $7.4 million and $3.6 million, respectively.
- Operating profit in the third quarter included $13.1 million of impairment and severance costs related to the Sioux City plant closure.
- Operating profit in the fourth quarter included $9.1 million of charges related to the Cost Savings Initiative.

NOTE 21: SUBSEQUENT EVENTS

Working Capital Facilities

In June 2011 (fiscal 2012), we refinanced the ABL Credit Facility into two separate facilities: (1) an inventory based revolving credit facility up to $925 million, with an option to expand up to $1.25 billion (the Inventory Revolver), and (2) an accounts receivable securitization facility up to $275 million (the Securitization Facility). We may request working capital loans and letters of credit under both facilities.

Availability under the Inventory Revolver is a function of the level of eligible inventories, subject to reserves. The Inventory Revolver matures in June 2016. However, it will mature on March 15, 2014 if the outstanding principal balance of the 2014 Notes, net of the amount of cash in excess of $75 million, exceeds $300 million on that date. The unused commitment fee and the interest rate spreads are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). The initial unused commitment fee and spread above LIBOR are 0.5% and 2.75%, respectively. The Inventory Revolver includes financial covenants. The ratio of our funded debt to capitalization (as defined in the Second Amended and Restated Credit Agreement) may not exceed 0.5 to 1.0, and our EBITDA to interest expense ratio (as defined in the Second Amended and Restated Credit agreement) may not be less than 2.5 to 1.0. Obligations under the Inventory Revolver are guaranteed by our material US subsidiaries and are secured by (i) a first priority lien on the Inventory Revolver Collateral, and (ii) a second priority lien on the Non-ABL Collateral. We incurred approximately $12.0 million in transaction fees in connection with the Inventory Revolver, which will be amortized over its five year life.

The term of the Securitization Facility is three years. All accounts receivable will be sold by our principal US operating subsidiaries to a wholly owned "bankruptcy remote" special purpose vehicle (SPV). The SPV will pledge the receivables as security for loans and letters of credit from a conduit lender or a committed lender. The SPV will be included in our consolidated financial statements and therefore, the accounts receivable owned by it will be included in our consolidated balance sheet. However, the accounts receivable owned by the SPV will be separate and distinct from our other assets and will not be available to our creditors should we become insolvent. The unused commitment fee and the interest rate spreads are a function of our leverage ratio (as defined in the Second Amended and Restated Credit Agreement). The initial unused commitment fee and spread above the conduit lender's cost of funds (or in the case of funding by the committed lender, above LIBOR) are 0.5% and 1.5%, respectively. We incurred approximately $2.5 million in transaction fees in connection with the Securitization Facility, which will be amortized over its three year life.

Rabobank Term Loan

In June 2011 (fiscal 2012), we refinanced the Rabobank Term Loan and extended its maturity date from August 29, 2013 to June 9, 2016. We are obligated to repay $25.0 million of the principal under the Rabobank Term Loan on June 9, 2015. We may elect to prepay the loan at any time, subject to the payment of certain prepayment fees in respect of any voluntary prepayment prior to June 9, 2013 and other customary breakage costs. Interest accrues, at our option, at LIBOR plus 3.75% or a base rate (the greater of Rabobank's prime rate and the Federal funds rate plus 0.5%). Obligations under the Rabobank Term Loan are guaranteed by our material US subsidiaries and are secured by a first priority lien on the Non-ABL Collateral and a second priority lien on the Inventory Revolver Collateral. We incurred approximately $1.0 million in transaction fees in connection with the amendment and extension of the Rabobank Term Loan, which will be amortized over the five year life of the loan.

Share Repurchase Authorization

In June 2011 (fiscal 2012), we announced that our board of directors had approved a share repurchase program authorizing us to buy up to $150 million of our common stock over the next 24 months. Share repurchases would be funded from cash on hand. This authorization replaces our previous share repurchase program. Share repurchases may be made on the open market, or in privately negotiated transactions. The number of shares repurchased, and the timing of any buybacks, will depend on corporate cash balances, business and economic conditions, and other factors, including investment opportunities. The program may be discontinued at any time.

(5) The following is the review report and an extract of the consolidated condensed financial statements of Smithfield for the quarterly period ended July 28, 2013, which were prepared in accordance with U.S. GAAP, from the Form 10-Q of Smithfield. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

Review Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

Addressee:

The Board of Directors and Shareholders of Smithfield Foods, Inc.

Introductory paragraph:

We have reviewed the condensed consolidated balance sheet of Smithfield Foods, Inc. and subsidiaries as of July 28, 2013, and the related condensed consolidated statements of income, comprehensive income, and cash flows for the three-month periods ended July 28, 2013 and July 29, 2012. These financial statements are the responsibility of the Company's management.

Disclaimer paragraph:

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Negative assurance paragraph:

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

Opinion paragraph on condensed consolidated balance sheet:

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Smithfield Foods, Inc. and subsidiaries as of April 28, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated June 18, 2013. In our opinion, the accompanying condensed consolidated balance sheet of Smithfield Foods, Inc. and subsidiaries as of April 28, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Richmond, Virginia
September 6, 2013

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in millions, except per share data)

	Three Months Ended	
	July 28, 2013	**July 29, 2012**
	(unaudited)	
Sales	$ 3,393.3	$ 3,091.3
Cost of sales	3,089.1	2,759.1
Gross profit	304.2	332.2
Selling, general and administrative expenses	205.2	201.1
(Income) loss from equity method investments	1.7	(0.7)
Operating profit	97.3	131.8
Interest expense	41.8	42.5
Income before income taxes	55.5	89.3
Income tax expense	16.0	27.6
Net income	$ 39.5	$ 61.7
Net income per share:		
Basic	$ .28	$ .40
Diluted	$ .27	$ .40
Weighted average shares outstanding:		
Basic	139.0	154.3
Effect of dilutive shares	4.9	1.0
Diluted	143.9	155.3

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Three Months Ended	
	July 28, 2013	**July 29, 2012**
	(unaudited)	
Net income	$ 39.5	$ 61.7
Other comprehensive income (loss), net of tax:		
Foreign currency translation	4.3	(84.1)
Pension accounting	9.1	8.2
Hedge accounting	(27.0)	59.2
Total other comprehensive loss	(13.6)	(16.7)
Comprehensive income	$ 25.9	$ 45.0

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in millions, except share data)

	July 28, 2013 *(unaudited)*	April 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 192.8	$ 310.6
Accounts receivable, net	767.9	663.2
Inventories	2,353.2	2,348.3
Prepaid expenses and other current assets	154.9	229.7
Total current assets	3,468.8	3,551.8
Property, plant and equipment, net	2,336.2	2,298.4
Goodwill	826.2	782.4
Investments	533.6	532.4
Intangible assets, net	389.6	390.4
Other assets	169.8	161.0
Total assets	$ 7,724.2	$ 7,716.4
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 210.9	$ 676.1
Accounts payable	468.9	429.1
Accrued expenses and other current liabilities	554.5	641.0
Total current liabilities	1,234.3	1,746.2
Long-term debt and capital lease obligations	2,290.7	1,829.2
Other liabilities	1,023.7	1,030.6
Redeemable noncontrolling interests	48.6	12.7
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized shares	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 139,189,923 and 138,919,056 issued and outstanding	69.6	69.5
Additional paid-in capital	1,393.6	1,389.9
Stock held in trust	(69.2)	(68.8)
Retained earnings	2,362.1	2,322.6
Accumulated other comprehensive loss	(629.8)	(616.2)
Total shareholders' equity	3,126.3	3,097.0
Noncontrolling interests	0.6	0.7
Total equity	3,126.9	3,097.7
Total liabilities and equity	$ 7,724.2	$ 7,716.4

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in millions)

	Three Months Ended	
	July 28, 2013	July 29, 2012
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 39.5	$ 61.7
Adjustments to reconcile net cash flows from operating activities:		
Depreciation and amortization	62.9	58.8
(Income) loss from equity method investments	1.7	(0.7)
Pension expense	27.0	24.0
Pension contributions	(9.1)	(8.6)
Changes in operating assets and liabilities and other, net	(108.9)	(67.9)
Net cash flows from operating activities	13.1	67.3
Cash flows from investing activities:		
Capital expenditures	(76.4)	(61.2)
Acquisitions, net of cash acquired	(32.8)	—
Net expenditures from breeding stock transactions	(5.6)	(6.5)
Proceeds from the sale of property, plant and equipment	1.5	6.5
Advance note	(10.0)	—
Net cash flows from investing activities	(123.3)	(61.2)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	—	24.2
Principal payments on long-term debt and capital lease obligations	(457.2)	(4.2)
Net proceeds from revolving credit facilities and notes payable	449.0	6.5
Repurchase of common stock	—	(145.3)
Other	—	0.2
Net cash flows from financing activities	(8.2)	(118.6)
Effect of foreign exchange rate changes on cash	0.6	(3.7)
Net change in cash and cash equivalents	(117.8)	(116.2)
Cash and cash equivalents at beginning of period	310.6	324.3
Cash and cash equivalents at end of period	$ 192.8	$ 208.1

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. You should read these statements in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended April 28, 2013. The information reflects all normal recurring adjustments which we believe are necessary to present fairly the financial position and results of operations for all periods included.

Smithfield Foods, Inc., together with its subsidiaries (the "Company," "we," "us" or "our"), is the largest hog producer and pork processor in the world. We produce and market a wide variety of fresh meat and packaged meats products both domestically and internationally. We conduct our operations through four reportable segments: Pork, Hog Production, International and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

The three months ended July 28, 2013 correspond to the first quarter of fiscal 2014 and the three months ended July 29, 2012 correspond to the first quarter of fiscal 2013.

Net Income per Share

We present dual computations of net income per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the potentially dilutive effect of common stock equivalents, such as stock options and convertible notes, during the period. We excluded stock options for approximately 0.5 million and 2.1 million shares for the three months ended July 28, 2013 and July 29, 2012, respectively, from the diluted computation because their effect would have been anti-dilutive.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). This update does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the update requires additional disclosures about amounts reclassified out of accumulated comprehensive income by component. We adopted this new guidance effective for the first quarter of fiscal 2014. The required disclosures are contained in Note 9—Shareholders' Equity.

NOTE 2: ACQUISITIONS

Kansas City Sausage Company, LLC

In May 2013 (fiscal 2014), we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS) for $36.0 million in cash. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller (the Advance Note). The Advance Note was recorded in other assets in the consolidated condensed balance sheet. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS is a leading US sausage producer and sow processor with annual revenues of approximately $200 million. The merging of KCS's low-cost, efficient operations and high-quality products with our strong brands and sales and marketing team should contribute growth in our packaged meats business. KCS operates in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, KCS produces premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With our strong ongoing focus on building our packaged meats business, and with 15% of the US sow population, this joint venture is a logical fit for the Company. It is expected to provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and to allow us to expand our product offerings to our customers. These categories represent over $4.0 billion in retail and foodservice sales annually.

KCS is managed by its Board of Directors, which makes decisions that most significantly impact the economic performance of KCS. We have the right to nominate and elect the majority of the members of the Board of Directors of KCS, and based on the associated voting rights, we have determined that we have a controlling financial interest in KCS. As a result, the acquisition of our interest in KCS was accounted for in the Pork segment using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and noncontrolling interests in the acquiree be recognized at their fair values as of the acquisition date. Our initial accounting for KCS is not yet complete as we are in the process of determining final values for the assets acquired, liabilities assumed and noncontrolling interests. Therefore, the amounts contained in the following table, which summarizes our initial estimate of the fair values of assets acquired, liabilities assumed and noncontrolling interests recognized as of the date of acquisition for KCS, are subject to change.

	(in millions)
Cash and cash equivalents	$ 3.2
Accounts receivable	11.3
Inventories	6.5
Prepaid expenses and other current assets	0.7
Property, plant and equipment	17.5
Goodwill	43.5
Assets acquired	82.7
Accounts payable	9.5
Accrued expenses and other current liabilities	1.1
Other liabilities	0.1
Liabilities assumed	10.7
Noncontrolling interest	36.0
Purchase price	$ 36.0

Our initial estimate of the fair value of the noncontrolling interest was measured based on market multiples for similar companies in our industry and consideration of the terms of the acquisition, which provide the noncontrolling interest holder the right to exercise a put option at any time after the fifth anniversary of the acquisition, which would obligate us to redeem their interest. The noncontrolling interest is classified outside of equity as redeemable noncontrolling interests in the consolidated condensed balance sheet. The redemption amount is the greater of $45.0 million or the result of a computed amount based on a fixed multiple of earnings. We have elected to accrete changes in the redemption amount of the noncontrolling interest over the five year period until it becomes redeemable. If the noncontrolling interest had been redeemable as of July 28, 2013, the redemption amount would have been $45.0 million.

NOTE 3: INVENTORIES

Inventories consist of the following:

	July 28, 2013	April 28, 2013
	(in millions)	
Livestock	$1,142.0	$1,113.5
Fresh and packaged meats	962.5	960.8
Grains	133.1	162.0
Manufacturing supplies	64.3	57.7
Other	51.3	54.3
Total inventories	$2,353.2	$2,348.3

NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn and soybean meal, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also periodically enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

We do not offset the fair value of derivative instruments with cash collateral held with or received from the same counterparty under a master netting arrangement. As of July 28, 2013, prepaid expenses and other current assets included $80.7 million representing cash on deposit with brokers to cover losses on our open derivative instruments. As of July 28, 2013, we had no cash on hand to cover gains on our open derivative instruments. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements. Additionally, certain of our derivative contracts contain credit risk-related contingent features, which would require us to post additional cash collateral to cover net losses on open derivative instruments if our credit rating was downgraded. As of July 28, 2013, the net liability position of our open derivative instruments that are subject to credit risk related contingent features was not material.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties under financial instruments. Although our counterparties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counterparties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit exposure to non-exchange traded derivatives. Determination of the credit quality of our counterparties is

based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of July 28, 2013, we had credit exposure of $8.1 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, we had no credit exposure as of July 28, 2013. No significant concentrations of credit risk existed as of July 28, 2013.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. All derivative contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated condensed balance sheets, as appropriate.

The following table presents the fair values of our open derivative financial instruments in the consolidated condensed balance sheets on a gross basis.

	Assets		Liabilities	
	July 28, 2013	April 28, 2013	July 28, 2013	April 28, 2013
	(in millions)		(in millions)	
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 1.7	$ 2.5	$ 66.6	$ 73.0
Livestock contracts	1.6	4.1	6.5	1.1
Foreign exchange contracts	—	0.2	0.8	0.1
Total	3.3	6.8	73.9	74.2
Derivatives using the "mark-to-market" method:				
Grain contracts	5.2	6.2	6.9	13.7
Livestock contracts	8.8	12.4	1.1	0.7
Energy contracts	0.8	3.1	2.6	0.6
Foreign exchange contracts	0.1	0.6	0.7	0.3
Total	14.9	22.3	11.3	15.3
Total fair value of derivative instruments	$ 18.2	$ 29.1	$ 85.2	$ 89.5

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn and soybean meal. In addition, we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. As of July 28, 2013, we had no cash flow hedges for forecasted transactions beyond April 2014.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts and selling, general and administrative expenses (SG&A) for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

During the three months ended July 28, 2013, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	63,996,094	86,625,000	Bushels
Soybean meal	462,996	581,656	Tons
Lean hogs	248,600,000	453,480,000	Pounds
Foreign currency [(1)]	25,756,717	42,919,077	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the effects on our consolidated condensed financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the fiscal periods indicated:

	Gains (Losses) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)		Gains (Losses) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)		Gains Recognized in Earnings on Derivative (Ineffective Portion)	
	Three Months Ended		Three Months Ended		Three Months Ended	
	July 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
	(in millions)		*(in millions)*		*(in millions)*	
Commodity contracts:						
Grain contracts	$ (4.4)	$ 133.9	$ 25.0	$ 2.7	$ 1.8	$ 2.7
Lean hog contracts	(4.7)	0.3	9.1	32.2	—	0.1
Foreign exchange contracts	(1.0)	(1.8)	(0.1)	(0.2)	—	—
Total	$ (10.1)	$ 132.4	$ 34.0	$ 34.7	$ 1.8	$ 2.8

For the fiscal periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial.

As of July 28, 2013, there were deferred net losses of $44.8 million, net of tax of $28.2 million, in accumulated other comprehensive loss. We expect to reclassify $2.2 million ($1.3 million net of tax) of deferred net losses on closed commodity contracts into earnings within the next twelve months. We are unable to estimate the amount of unrealized gains or losses to be reclassified into earnings within the next twelve months related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts.

During the three months ended July 28, 2013, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	335,000	4,130,000	Bushels

The following table presents the effects on our consolidated condensed statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the fiscal periods indicated:

	Gains (Losses) Recognized in Earnings on Derivative		Gains (Losses) Recognized in Earnings on Related Hedged Item	
	Three Months Ended		Three Months Ended	
	July 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
	(in millions)		*(in millions)*	
Commodity contracts	$ 0.4	$ (26.4)	$ (0.4)	$ 20.3

We recognized gains of $2.1 million and $3.4 million for the three months ended July 28, 2013 and July 29, 2012, respectively, on closed commodity derivative contracts as the underlying cash transactions affected earnings.

For fair value hedges of inventory, we elect to exclude from the assessment of effectiveness differences between the spot and futures prices. These differences are recorded directly into earnings as they occur. These differences resulted in losses of $6.3 million for the three months ended July 29, 2012. There were no fair value hedges of inventory in the first quarter of fiscal 2014, and therefore no differences between spot and futures prices were recognized for the three months ended July 28, 2013.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in cost of sales for commodity contracts, and SG&A for foreign exchange contracts.

During the three months ended July 28, 2013, the range of notional volumes associated with open derivative instruments using the "mark-to-market" method was as follows:

	Minimum	Maximum	Metric
Commodities:			
Lean hogs	15,160,000	82,400,000	Pounds
Corn	70,000	10,115,000	Bushels
Soybean meal	33,745	34,145	Tons
Soybeans	535,000	1,125,000	Bushels
Wheat	—	750,000	Bushels
Natural gas	8,470,000	9,520,000	Million BTU
Diesel	2,520,000	3,360,000	Gallons
Foreign currency [1]	26,926,504	57,108,648	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following table presents the amount of gains and losses recognized in the consolidated condensed statements of income on derivative instruments using the "mark-to-market" method by type of derivative contract for the fiscal periods indicated:

	Three Months Ended	
	July 28, 2013	July 29, 2012
	(in millions)	
Commodity contracts	$ 6.0	$ (8.2)
Foreign exchange contracts	(0.3)	4.6
Total	$ 5.7	$ (3.6)

The table above reflects gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within a quarter. The table includes amounts for both realized and unrealized gains and losses. The table is not, therefore, a simple representation of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 5: INVESTMENTS

Investments consist of the following:

Equity Investment	% Owned	July 28, 2013	April 28, 2013
		(in millions)	
Campofrio Food Group (CFG)	37%	$ 384.3	$ 376.2
Mexican joint ventures	50%	121.4	129.6
Other	Various	27.9	26.6
Total investments		$ 533.6	$ 532.4

We record our share of earnings and losses from our equity method investments in (income) loss from equity method investments. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated condensed financial statements.

Each quarter, we review the carrying value of our investments and consider whether indicators of impairment exist. Examples of impairment indicators include a history or expectation of future operating losses and declines in a quoted share price, among other factors. If an impairment indicator exists, we must evaluate the fair value of our investment to determine if a loss in value, which is other than temporary, has occurred. If we consider any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment to its estimated fair value would be recorded. We have determined that no write-down was necessary for all periods presented.

As of July 28, 2013, we held 37,811,302 shares of CFG common stock. Shares of CFG are publicly traded on the Bolsa de Madrid Exchange (Madrid Exchange). As the table below shows, the carrying value of our investment in CFG was above

the quoted market price on the Madrid Exchange as of July 28, 2013, indicating a possible impairment of our investment in CFG. However, we do not believe the quoted share price on the Madrid Exchange is, by itself, reflective of the fair value of our investment in CFG for the following reasons:

- The minority shares traded on the Madrid Exchange confer no special rights or privileges to buyers. In contrast, the shares comprising our 37% stake in CFG contractually entitle us to two seats on CFG's 9 -person board of directors, giving us the ability to exert significant influence over the strategic and operational decisions of our investee.

- The stock is very thinly traded. CFG is a closely held company, with the three largest shareholders owning approximately 74% of the outstanding shares. We are CFG's largest shareholder, with a 37% stake.

- The average daily trading volume during last 27 months represents less than three hundredths of one percent of the total outstanding shares. The lack of an active market can cause significant fluctuations and volatility in the stock price that are not commensurate with fundamental changes in the underlying business and the fair value of our holding in CFG. Shares trading on the Madrid Exchange have ranged from a high of €9.28 ($13.74) to a low of €4.12 ($5.39) per share during the last 27 months, with upward and downward fluctuations in between.

The table below shows CFG's intra-day high share price and Smithfield's carrying value, expressed in euro per share, on various dates relevant to our disclosures.

Date	Share Price	Carrying Value
May 5, 2011	€9.27	€7.93
February 17, 2012	€7.20	€7.54
April 29, 2012 (1)	€6.30	€7.70
April 28, 2013 (1)	€4.99	€7.64
July 28, 2013 (1) (2)	€5.22	€7.65

(1) Share prices on quarter end date reflect the last trading day in the quarter.

(2) During the first quarter of fiscal 2014, CFG's share price traded as high as €5.88 per share (May 30, 2013).

As noted above, we do not consider the share price on the Madrid Exchange, by itself, to be determinative of fair value. In assessing the fair value of our investment, we considered a variety of information, including an independent third party valuation report, which incorporates generally accepted valuation techniques, CFG's history of positive cash flows, expectations about the future cash flows of CFG, market multiples for comparable businesses, and an influence premium applied to the market price of CFG's shares on the Madrid Exchange to adjust for our contractual right to two board seats and our ability to exert significant influence over the operational and strategic decisions of the company.

Based on an evaluation of all these factors, we concluded the fair value of our investment in CFG as of July 28, 2013, exceeded its carrying amount. However, our estimate of fair value has declined over the last 27 months, significantly eroding the gap between fair value and carrying value. The fair value decline is primarily attributable to persistent recessionary conditions in Western Europe, which have dampened CFG's current operating performance. In addition, CFG's share price on the Madrid Exchange has declined and, notwithstanding our reservations about the Madrid Exchange price, we nonetheless utilize it as a component of our valuation work and believe such declines must be considered as part of our fair value estimate. While we do not believe our investment is impaired as of July 28, 2013, the confluence of these and other factors has decreased our estimate of CFG's fair value and increased the risk of impairment. If the trends contributing to our lower estimate of CFG's fair value continue, the investment would become impaired. Specifically, if the most sensitive factors affecting our fair value

calculations (i.e., estimates of future cash flows, interest rates and share price) continue to deteriorate, it is reasonably possible that our estimate of fair value could fall below carrying value. If that occurs, and we determine that the decline is other than temporary, we would record a charge to income for the difference between the estimate of fair value and the carrying amount of our investment.

(Income) loss from equity method investments consists of the following:

Equity Investment	Segment	Three Months Ended July 28, 2013	July 29, 2012
		(in millions)	
CFG [(1)]	International	$ (0.1)	$ (0.1)
Mexican joint ventures	International	3.0	0.4
All other equity method investments	Various	(1.2)	(1.0)
(Income) loss from equity method investments		$ 1.7	$ (0.7)

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

NOTE 6: DEBT

Debt Retirement

In May 2013 (fiscal 2014), we repaid the remaining outstanding principal amount on our 7.75% senior unsecured notes totaling $55.0 million.

In July 2013 (fiscal 2014), we repaid the outstanding principal amount on our 4% senior unsecured convertible notes totaling $400.0 million (Convertible Notes). As part of the settlement of the Convertible Notes, we delivered 3,894,476 shares of our common stock to the holders of the notes. Simultaneously, we exercised our call option to acquire shares of our common stock, which we entered into in connection with the original issuance of the Convertible Notes, and received 3,894,510 shares from the counterparties. As a result, we retired 34 net shares of our common stock upon the settlement of the Convertible Notes.

Working Capital Facilities

As of July 28, 2013, we had aggregate credit facilities and credit lines totaling $1.4 billion, including an inventory-based revolving credit facility totaling $1.025 billion (the Inventory Revolver), an accounts receivable securitization facility totaling $275.0 million (the Securitization Facility) and international credit facilities totaling $143.4 million. As of July 28, 2013, our unused capacity under these credit facilities and credit lines was $823.2 million.

As part of the Securitization Facility agreement, all accounts receivable of our major Pork segment subsidiaries 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 our consolidated financial statements and therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should we become insolvent. As of July 28, 2013, the SPV held $500.5 million of accounts receivable and we had $170.0 million in outstanding borrowings on the Securitization Facility.

NOTE 7: GUARANTEES

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated condensed balance sheets. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

As of July 28, 2013, we continued to guarantee $9.9 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. This guaranty may remain in place until the leases expire through February 2022.

NOTE 8: PENSION PLANS

The components of net periodic pension cost consist of:

	Three Months Ended	
	July 28, 2013	**July 29, 2012**
	(in millions)	
Service cost	$ 13.6	$ 11.8
Interest cost	19.8	18.7
Expected return on plan assets	(21.3)	(19.7)
Net amortization	14.9	13.2
Net periodic pension cost	$ 27.0	$ 24.0

NOTE 9: SHAREHOLDERS' EQUITY

Stock Options and Performance Share Units

During the three months ended July 28, 2013, we issued 83,503 shares of common stock upon the exercise of stock options and 187,398 shares of common stock for vested performance share units. In fiscal 2013, we issued 253,018 shares of common stock upon exercise of stock options and 325,975 shares of common stock for vested performance share units.

Other Comprehensive Income (Loss)

The following table presents changes in the accumulated balances for each component of other comprehensive income (loss) and the related effects on net income of amounts reclassified out of other comprehensive income (loss).

	Three Months Ended					
	July 28, 2013			July 29, 2012		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
	(in millions)					
Foreign currency translation:						
Translation adjustment arising during the period	$ 7.1	$ (2.8)	$ 4.3	$ (90.3)	$ 6.2	$ (84.1)
Pension accounting:						
Amortization of actuarial losses and prior service credits reclassified to cost of sales	4.3	(1.7)	2.6	9.3	(3.6)	5.7
Amortization of actuarial losses and prior service credits reclassified to SG&A	10.6	(4.1)	6.5	4.0	(1.5)	2.5
Hedge accounting:						
Gains (losses) arising during the period	(10.1)	3.8	(6.3)	132.4	(51.9)	80.5
Gains reclassified to sales	(9.1)	3.6	(5.5)	(32.2)	12.5	(19.7)
Gains reclassified to cost of sales	(25.0)	9.7	(15.3)	(2.7)	1.0	(1.7)
Losses reclassified to SG&A	0.1	—	0.1	0.2	(0.1)	0.1
Total other comprehensive income (loss)	$ (22.1)	$ 8.5	$ (13.6)	$ 20.7	$ (37.4)	$ (16.7)

NOTE 10: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs, such as observable, independent market data, that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk and credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.

- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

We have classified assets and liabilities measured at fair value based on the lowest level of input that is significant to the fair value measurement. For the periods presented, we had no transfers of assets or liabilities between levels within the fair value hierarchy. The timing of any such transfers would be determined at the end of each reporting period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of July 28, 2013 and April 28, 2013:

	July 28, 2013				April 28, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(in millions)				(in millions)		
Assets								
Derivatives:								
Commodity contracts	$ —	$ —	$ —	$ —	$ 6.8	$ —	$ —	$ 6.8
Foreign exchange contracts	—	0.1	—	0.1	—	0.8	—	0.8
Open-ended mutual funds	5.8	—	—	5.8	6.4	—	—	6.4
Insurance contracts	—	61.5	—	61.5	—	60.0	—	60.0
Total	$ 5.8	$ 61.6	$ —	$ 67.4	$ 13.2	$ 60.8	$ —	$ 74.0
Liabilities								
Derivatives:								
Commodity contracts	$ 29.5	$ 36.1	$ —	$ 65.6	$ 30.5	$ 37.1	$ —	$ 67.6
Foreign exchange contracts	—	1.5	—	1.5	—	0.4	—	0.4
Total	$ 29.5	$ 37.6	$ —	$ 67.1	$ 30.5	$ 37.5	$ —	$ 68.0

The following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value on a recurring basis:

- *Derivatives*—Derivatives classified within Level 1 are valued using quoted market prices. In some cases where quoted market prices are not available, we value the derivatives using pricing models based on the net present value of estimated future cash flows to calculate fair value, in which case the measurements are classified within Level 2. These valuation models make use of market-based observable inputs, including exchange prices and rates, yield curves, credit curves, and measures of volatility.

- *Open-ended mutual funds*—Open-ended mutual funds are valued at their net asset value (NAV), which approximates fair value, and classified as Level 1.

- *Insurance contracts*—Insurance contracts are valued at their cash surrender value using the daily asset unit value (AUV) which is based on the quoted market price of the underlying securities and classified within Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. During the three months ended July 28, 2013, we had no significant assets or liabilities that were measured and recorded at fair value on a nonrecurring basis.

Other Financial Instruments

We determine the fair value of public debt using Level 2 inputs based on quoted market prices. The carrying amount of all other debt approximates fair value as those instruments are based on variable interest rates. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of July 28, 2013 and April 28, 2013.

	July 28, 2013		April 28, 2013	
	Value Fair	Carrying Value	Value Fair	Carrying Value
	(in millions)			
Long-term debt, including current portion	$ 2,611.4	$ 2,475.5	$ 2,732.9	$ 2,479.1

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 11: CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

North Carolina Nuisance Litigation

On July 30, 2013, five complaints were filed in the Superior Court of Wake County, North Carolina by 135 individual plaintiffs against Smithfield, our wholly owned subsidiary, Murphy-Brown, and various individuals and entities who are alleged to own or operate farms under contract with Murphy-Brown. *Alderman, et al. v. Smithfield Foods, Inc., et al.*, involves allegations brought by 20 plaintiffs alleged to reside in Duplin County, North Carolina against Smithfield, Murphy-Brown, and two additional defendants representing two independent growers and their farms. *Aultman, et al. v. Smithfield Foods, Inc., et al.*, involves allegations brought by 23 plaintiffs alleged to reside in Duplin County, North Carolina against Smithfield, Murphy-Brown, and five additional defendants representing four independent growers and their farms and one Company-owned farm. *Best, et al. v. Smithfield Foods, Inc., et al.*, involves allegations brought by 25 plaintiffs alleged to reside in Wilson County, North Carolina against Smithfield, Murphy-Brown, and one additional defendant representing one independent grower and its farm. *Blanks, et al. v. Smithfield Foods, Inc., et al.*, involves allegations brought by 26 plaintiffs alleged to reside in Bladen County, North Carolina against Smithfield, Murphy-Brown, and three additional defendants representing two independent growers and their farms and one Company-owned farm. *Bordeaux, et al. v. Smithfield Foods, Inc., et al.*, involves allegations brought by 41 plaintiffs alleged to reside in Duplin County, North Carolina against Smithfield, Murphy-Brown, and four additional defendants representing two independent growers and their farms.

On August 27, 2013, a sixth complaint, titled *Cromartie, et al. v. Smithfield Foods, Inc., et al.*, was transmitted to the Superior Court of Wake County, North Carolina for filing by 32 plaintiffs alleged to reside in Bladen County, North Carolina against Smithfield, Murphy-Brown, and five additional defendants representing two independent growers and their farms and two Company-owned farms. On August 28, 2013, a seventh complaint, titled *Bannerman, et al. v. Smithfield Foods, Inc., et al.*, was transmitted to the Superior Court of Wake County, North Carolina for filing by 14 plaintiffs alleged to reside in Duplin County, North Carolina against Smithfield, Murphy-Brown, and ten additional defendants representing six independent growers

and their farms and three Company-owned farms. All seven complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Defendants are in the process of preparing responsive pleadings in all seven cases.

All seven complaints stemmed from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 500 additional claimants who have not filed complaints. Approximately 300 additional potential claimants have threatened to bring claims but not initiated any formal legal process. The Company believes that the allegations are unfounded and intends to defend the suits vigorously.

Our policy for establishing accruals and disclosures for contingent liabilities is contained in Note 1-Summary of Significant Accounting Policies in our Annual Report on Form 10-K for the fiscal year ended April 28, 2013. We have not made an accrual on these loss contingencies. Given that this matter is in its very preliminary stages and given the inherent uncertainty of the outcome for these and similar potential claims, we cannot estimate the reasonably possible loss or range of loss for these loss contingencies. We will continue to review whether an accrual is necessary and whether we have the ability to estimate the reasonably possible loss or range of loss for these matters.

NOTE 12: REPORTABLE SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and assess performance. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations.

Our reportable segments are: Pork, Hog Production, International, Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments. The Pork segment consists mainly of our three wholly owned US fresh pork and packaged meats subsidiaries: The Smithfield Packing Company, Inc., Farmland Foods, Inc. and John Morrell Food Group. The Hog Production segment consists of our hog production operations located in the US The International segment is comprised mainly of our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. The Corporate segment provides management and administrative services to support our other segments.

The following table presents sales and operating profit (loss) by segment for the fiscal periods indicated:

	Three Months Ended	
	July 28, 2013	July 29, 2012
	(in millions)	
Sales:		
Segment sales—		
Pork	$ 2,850.4	$ 2,599.6
Hog Production	872.4	728.8
International	376.0	346.8
Total segment sales	4,098.8	3,675.2
Intersegment sales—		
Pork	(11.5)	(8.4)
Hog Production	(684.6)	(567.3)
International	(9.4)	(8.2)
Total intersegment sales	(705.5)	(583.9)
Consolidated sales	$ 3,393.3	$ 3,091.3
Operating profit:		
Pork	$ 61.4	$ 118.6
Hog Production	66.5	23.1
International	1.9	15.8
Corporate	(32.5)	(25.7)
Consolidated operating profit	$ 97.3	$ 131.8

NOTE 13: SUBSEQUENT EVENTS

Sun Merger Sub, Inc. Debt Offering

In May 2013 (fiscal 2014), we announced that we had entered into an Agreement and Plan of Merger with Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands (Shuanghui) and Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of Shuanghui (Merger Sub), pursuant to which Merger Sub will merge with and into the Company (the Merger), with the Company surviving the Merger as a wholly owned subsidiary of Shuanghui.

On July 31, 2013, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes) as part of the financing for the Merger. Upon the consummation of the Merger and release of the proceeds from escrow, the Merger Sub Notes will become unsecured obligations of the Company ranking equally in right of payment with all of our existing and future senior unsecured indebtedness.

(6) The following is the review report and an extract of the consolidated condensed financial statements of Smithfield for the quarterly period ended 27 October 2013, which were prepared in accordance with U.S. GAAP, from the Form 10-Q of Smithfield. These financial statements were presented in USD million dollars expect for otherwise stated.

Smithfield consolidated financial statements are available free of charge, in read only, printable format on Smithfield Foods, Inc.'s website.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and shareholder of
Smithfield Foods, Inc.
Smithfield, VA

We have reviewed the accompanying condensed consolidated balance sheet of Smithfield Foods, Inc. and subsidiaries (the "Company") as of October 27, 2013, the related condensed consolidated statements of income and comprehensive income for the periods from September 27, 2013 to October 27, 2013 (Successor); July 29, 2013 to September 26, 2013 (Predecessor) and from April 29, 2013 to September 26, 2013 (Predecessor) and the related condensed consolidated statements of cash flows for the periods September 27, 2013 to October 27, 2013 (Successor) and April 29, 2013 to September 26, 2013 (Predecessor). This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated interim financial information for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the condensed consolidated interim financial information, on September 26, 2013, WH Group Limited (WH Group), formerly Shuanghui International Holdings Limited, acquired all of the outstanding shares of the Company and WH Group's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company.

Richmond, VA
December 6, 2013

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in millions and unaudited)

	Successor	Predecessor	
	September 27-October 27, 2013	July 29-September 26, 2013	Three Months Ended October 28, 2012
Sales	$ 1,139.1	$ 2,286.2	$ 3,225.8
Cost of sales	1,046.8	2,101.0	2,848.5
Gross profit	92.3	185.2	377.3
Selling, general and administrative expenses	63.4	140.5	205.7
Merger-related costs	20.7	14.0	—
Income from equity method investments	(1.2)	(1.2)	(6.7)
Operating profit	9.4	31.9	178.3
Interest expense	31.1	22.8	41.5
Loss on debt extinguishment	—	—	120.7
(Loss) income before income taxes	(21.7)	9.1	16.1
Income tax (benefit) expense	(5.1)	(3.3)	5.2
Net (loss) income	$ (16.6)	$ 12.4	$ 10.9

	Successor	Predecessor	
	September 27-October 27, 2013	April 29-September 26, 2013	Six Months Ended October 28, 2012
Sales	$ 1,139.1	$ 5,679.5	$ 6,317.1
Cost of sales	1,046.8	5,190.1	5,607.6
Gross profit	92.3	489.4	709.5
Selling, general and administrative expenses	63.4	341.7	406.8
Merger-related costs	20.7	18.0	—
(Income) loss from equity method investments	(1.2)	0.5	(7.4)
Operating profit	9.4	129.2	310.1
Interest expense	31.1	64.6	84.0
Loss on debt extinguishment	—	—	120.7
(Loss) income before income taxes	(21.7)	64.6	105.4
Income tax (benefit) expense	(5.1)	12.7	32.8
Net (loss) income	$ (16.6)	$ 51.9	$ 72.6

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(in millions and unaudited)

	Successor	Predecessor	
	September 27-October 27, 2013	July 29-September 26, 2013	Three Months Ended October 28, 2012
Net (loss) income	$ (16.6)	$ 12.4	$ 10.9
Other comprehensive income (loss), net of tax:			
Foreign currency translation	27.9	12.6	49.5
Pension accounting	—	6.0	8.0
Hedge accounting	(4.3)	(7.0)	(28.9)
Total other comprehensive income	23.6	11.6	28.6
Comprehensive income	$ 7.0	$ 24.0	$ 39.5

	Successor	Predecessor	
	September 27-October 27, 2013	April 29-September 26, 2013	Six Months Ended October 28, 2012
Net (loss) income	$ (16.6)	$ 51.9	$ 72.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation	27.9	16.9	(34.6)
Pension accounting	—	15.1	16.2
Hedge accounting	(4.3)	(34.0)	30.3
Total other comprehensive income (loss)	23.6	(2.0)	11.9
Comprehensive income	$ 7.0	$ 49.9	$ 84.5

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in millions, except share data, and unaudited)

	Successor October 27, 2013	Predecessor April 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134.1	$ 310.6
Accounts receivable, net	808.2	663.2
Inventories	2,527.8	2,348.3
Prepaid expenses and other current assets	210.1	229.7
Total current assets	3,680.2	3,551.8
Property, plant and equipment, net	2,750.6	2,298.4
Goodwill	1,601.8	782.4
Investments	499.8	532.4
Intangible assets, net	1,406.3	390.4
Other assets	175.9	161.0
Total assets	$ 10,114.6	$ 7,716.4
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 63.1	$ 676.1
Accounts payable	518.7	429.1
Accrued expenses and other current liabilities	618.0	641.0
Total current liabilities	1,199.8	1,746.2
Long-term debt and capital lease obligations	3,376.1	1,829.2
Other liabilities	1,321.5	1,030.6
Redeemable noncontrolling interests	47.2	12.7
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized shares (Predecessor)	—	—
Common stock, no par value, 1,000 shares authorized; 1,000 issued and outstanding (Successor)	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 138,919,056 issued and outstanding (Predecessor)	—	69.5
Additional paid-in capital	4,162.4	1,389.9
Stock held in trust	—	(68.8)
Retained (losses) earnings	(16.6)	2,322.6
Accumulated other comprehensive income (loss)	23.6	(616.2)
Total shareholders' equity	4,169.4	3,097.0
Noncontrolling interests	0.6	0.7
Total equity	4,170.0	3,097.7
Total liabilities and equity	$ 10,114.6	$ 7,716.4

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in millions and unaudited)

	Successor	Predecessor	
	September 27- October 27, 2013	April 29- September 26, 2013	Six Months Ended October 28, 2012
Cash flows from operating activities:			
Net (loss) income	$ (16.6)	$ 51.9	$ 72.6
Adjustments to reconcile net cash flows from operating activities:			
Depreciation and amortization	18.0	106.5	117.7
(Income) loss from equity method investments	(1.2)	0.5	(7.4)
Impact of inventory fair value step-up on cost of sales	24.8	—	—
Pension expense	4.0	44.8	48.0
Pension contributions	—	(9.7)	(8.6)
Changes in operating assets and liabilities and other, net	(70.9)	(219.8)	(412.8)
Net cash flows from operating activities	(41.9)	(25.8)	(190.5)
Cash flows from investing activities:			
Acquisition of Smithfield Foods, Inc. common stock	(4,896.6)	—	—
Capital expenditures	(13.8)	(139.8)	(127.7)
Business acquisitions, net of cash acquired	—	(32.8)	(23.1)
Net proceeds (expenditures) from breeding stock transactions	2.1	(5.3)	(13.4)
Proceeds from the sale of property, plant and equipment	1.3	1.7	10.7
Advance note	—	(10.0)	—
Net cash flows from investing activities	(4,907.0)	(186.2)	(153.5)

	Successor	Predecessor	
	September 27-October 27, 2013	April 29-September 26, 2013	Six Months Ended October 28, 2012
Cash flows from financing activities:			
Net proceeds from equity contribution	4,162.1	—	—
Proceeds from the issuance of long-term debt	900.0	—	1,019.2
Principal payments on long-term debt and capital lease obligations	(200.5)	(458.7)	(711.4)
Proceeds from Securitization Facility	—	170.0	—
Payments on Securitization Facility	—	(50.0)	—
Net (payments) proceeds from revolving credit facilities	(11.0)	490.3	66.7
Repurchase of common stock	—	—	(212.3)
Debt issuance cost and other	(20.1)	0.1	(17.9)
Net cash flows from financing activities	4,830.5	151.7	144.3
Effect of foreign exchange rate changes on cash	2.0	0.2	(1.0)
Net change in cash and cash equivalents	(116.4)	(60.1)	(200.7)
Cash and cash equivalents at beginning of period	250.5	310.6	324.3
Cash and cash equivalents at end of period	$ 134.1	$ 250.5	$ 123.6

See Notes to Consolidated Condensed Financial Statements

SMITHFIELD FOODS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Organization

Smithfield Foods, Inc., together with its subsidiaries ("Smithfield," "the Company," "we," "us" or "our"), is the largest hog producer and pork processor in the world. We produce and market a wide variety of fresh meat and packaged meats products both domestically and internationally. We conduct our operations through four reportable segments: Pork, Hog Production, International and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments.

On September 26, 2013 (the Merger Date), pursuant to the Agreement and Plan of Merger dated May 28, 2013 (the Merger Agreement) with Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands (Shuanghui), the Company merged with Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of Shuanghui (the Merger Sub), in a transaction hereinafter referred to as the Merger. As a result of the Merger, the Company survived as a wholly owned subsidiary of Shuanghui. See Note 2—Merger and Acquisition for further information on the Merger.

Basis of Presentation

The Merger was accounted for as a business combination using the acquisition method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 805, *Business Combinations*. Shuanghui's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. Accordingly, the interim consolidated condensed financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting.

Successor—The consolidated financial statements as of October 27, 2013, and for the period from September 27, 2013 through October 27, 2013, include the accounts of the Company subsequent to the closing of the Merger on September 26, 2013.

Predecessor—The consolidated condensed financial statements of the Company prior to the Merger on September 26, 2013.

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. You should read these statements in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended April 28, 2013. The information reflects all normal recurring adjustments which we believe are necessary to present fairly the financial position and results of operations for all periods included.

Recently Issued Accounting Pronouncements

In July 2013, FASB issued guidance on the financial statement presentation of certain unrecognized tax benefits when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2013. The guidance is not currently effective for us and has not been applied in this Form 10-Q.

NOTE 2: MERGER AND ACQUISITION

Shuanghui Merger

On May 28, 2013, we entered into the Merger Agreement with Shuanghui and the Merger Sub. The Merger was consummated on September 26, 2013, and as a result, Merger Sub merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Shuanghui. Upon completion of the Merger, Shuanghui acquired all outstanding shares of Smithfield and the Company's shareholders received $34.00 in cash (the Merger Consideration) for each share of common stock held prior to the effective time of the Merger. Additionally, all outstanding stock-based compensation awards, both vested and unvested, were converted into the right to receive the Merger Consideration, less the exercise price of such awards, if any. The total consideration paid in connection with the Merger was approximately $4.9 billion.

On July 31, 2013, the Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes). The Merger Sub incurred $20.4 million in transaction fees in connection with issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of the Merger Sub, including the Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used in funding the Merger. The proceeds were used to fund a portion of the total consideration paid, repay certain outstanding debt of the Company and pay certain transaction fees associated with the Merger.

Shuanghui is the majority shareholder of Henan Shuanghui Investment & Development Co., which is China's largest meat processing enterprise and China's largest publicly traded meat products company as measured by market capitalization. Shuanghui is a pioneer in the Chinese meat processing industry with over 30 years of history. Shuanghui's businesses include hog production, meat processing, fresh meat and packaged meats production and distribution. The merging of Shuanghui's distribution network with our strong management team, leading brands and vertically integrated model will allow us to provide high-quality, competitively priced and safe US meat products to consumers in markets around the world.

Shuanghui's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. The preliminary allocation of consideration to the assets acquired and liabilities assumed by Shuanghui in the Merger reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the Merger Date.

The following is a summary of the preliminary allocation of the total purchase consideration to the estimated fair values of our assets acquired, liabilities assumed and noncontrolling interests by Shuanghui in the transaction:

	(in millions)
Cash and cash equivalents	$ 250.5
Accounts receivable	764.8
Inventories	2,506.9
Prepaid expenses and other current assets	215.0
Property, plant and equipment	2,743.7
Goodwill	1,601.8
Investments	495.5
Intangible assets	1,403.0
Other assets	171.2
Assets acquired by Shuanghui	10,152.4
Current portion of long-term debt and capital lease obligations	239.1
Accounts payable	535.3
Accrued expenses and other current liabilities	576.2
Long-term debt and capital lease obligations	2,509.1
Other liabilities	1,341.5
Liabilities assumed by Shuanghui	5,201.2
Redeemable noncontrolling interests and noncontrolling interests	48.2
Total purchase consideration	$ 4,903.0

Accounts receivable and accounts payable, as well as certain other current and non-current assets and liabilities, were valued at their existing carrying values as they approximated fair value of those items at the time of the Merger, based on management's judgments and estimates.

Inventories were valued using a net realizable value approach with the exception of manufacturing supplies and other inventories, which were valued using the replacement cost approach.

Property, plant and equipment have been valued using a combination of the market approach and the indirect cost approach which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional, and economic factors.

Intangible assets acquired include trademarks, customer relations assets, contractual relationships and rights with fair values of $1.3 billion, $55.0 million, $40.0 million and $3.0 million, resp ectively. The customer relations assets, contractual relationships and rights will be amortized over useful lives of 14 y ears, 17 years and 12 yea rs, respectively. The trademarks are not subject to amortization.

Trademarks have been valued using the relief from royalty method. We utilized a bottoms-up approach to assess the appropriate royalty rates for trade names focused on consideration of the profitability of each trade name, the implied premium margin earned on branded versus private label sales of similar products for each trade name, market studies, and third-party comparable licensing agreements.

Customer relations assets were determined using the multi-period excess earnings methodology utilizing our forecasted metrics and/or a market participant distributor model.

Contractual relationships were valued based on the time and associated costs that would be required to recreate the existing relationships in addition to the lost profits over this time period using the avoided costs or lost profits method. Rights were also valued using an avoided costs or lost profits method.

The benefit obligation for both our qualified and non-qualified defined benefit pension plans was remeasured as of the Merger Date with the assistance of an independent third-party actuary.

Existing long-term debt assumed in the Merger was fair valued based on quoted market prices. Long-term debt assumed included our outstanding 6.625% senior unsecured notes due August 2022 (the 2022 Notes) and our outstanding 7.75% senior unsecured notes due July 2017 (the 2017 Notes).

Deferred income tax assets and liabilities as of the acquisition date represent the expected future tax consequences of temporary differences between the fair values of the assets acquired and the liabilities assumed as a result of the Merger and their tax basis.

Goodwill reflects the amount of the total consideration paid that exceeded the fair value of the identifiable assets acquired, liabilities assumed and noncontrolling interests. Goodwill recognized as a result of the Merger has not been allocated to our reportable segments as of October 27, 2013. The amount of goodwill relating to the Merger that is expected to be deductible for tax purposes has not yet been determined.

In connection with the Merger, we incurred $20.7 million and $18.0 million of professional fees during the Successor and Predecessor periods, respectively. These fees are recognized in merger-related costs on the consolidated condensed statements of income. In addition, the Merger Sub deferred $17.3 million of debt issuance costs for a financing arrangement. We recognized these deferred costs in interest expense during the Successor period upon termination of the financing arrangement following the Merger. All of these charges are reflected in the results of our Corporate segment.

The following unaudited pro forma financial data summarizes the Company's results of operations as if the Merger had occurred as of April 29, 2012. The pro forma data is for informational purposes only and may not necessarily reflect the actual results of operations had the Merger been consummated on April 29, 2012.

	Three Months Ended		**Six Months Ended**	
	October 27, 2013	**October 28, 2012**	**October 27, 2013**	**October 28, 2012**
	(in million)			
Sales	$ 3,425.3	$ 3,225.8	$ 6,818.6	$ 6,317.1
Net income	$ 57.3	$ 29.8	$ 115.9	$ 86.4

The most significant pro forma adjustments were to reflect the impact of fair value step-ups of both assets and liabilities (e.g., inventory, property, plant and equipment, long-term debt) and fees and expenses related to the Merger noted above.

Kansas City Sausage Company, LLC

In May 2013, we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS) for $36.0 million in cash. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller (the Advance Note). The Advance Note was recorded in other assets in the consolidated condensed balance sheet. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS is a leading US sausage producer and sow processor with annual revenues of approximately $200 million. The merging of KCS's low-cost, efficient operations and high-quality products with our strong brands and sales and marketing team should contribute growth in our packaged meats business. KCS operates in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, KCS produces premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With our strong ongoing focus on building our packaged meats business, and with 15% of the US sow population, this joint venture is a logical fit for the Company. It is expected to provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and to allow us to expand our product offerings to our customers. These categories represent over $4.0 billion in industry retail and foodservice sales annually.

KCS is managed by its Board of Directors, which makes decisions that most significantly impact the economic performance of KCS. We have the right to nominate and elect the majority of the members of the Board of Directors of KCS, and based on the associated voting rights, we have determined that we have a controlling financial interest in KCS. As a result, the acquisition of our interest in KCS was accounted for in the Pork segment using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and noncontrolling interests in the acquiree be recognized at their fair values as of the acquisition date. The purchase price allocation includes assets acquired, excluding goodwill, of $39.2 million, liabilities assumed of $10.7 million, goodwill of $43.5 million and redeemable noncontrolling interest of $36.0 million.

Our initial estimate of the fair value of the noncontrolling interest was measured based on market multiples for similar companies in our industry and consideration of the terms of the acquisition, which provide the noncontrolling interest holder the right to exercise a put option at any time after the fifth anniversary of the acquisition, which would obligate us to redeem their interest. The noncontrolling interest is classified outside of equity as redeemable noncontrolling interests in the consolidated condensed balance sheet. The redemption amount is the greater of $45.0 million or the result of a computed amount based on a fixed multiple of earnings. We have elected to accrete changes in the redemption amount of the noncontrolling interest over the five year period until it becomes redeemable. If the noncontrolling interest had been redeemable as of October 27, 2013, the redemption amount would have been $45.0 million.

NOTE 3: INVENTORIES

Inventories consist of the following:

	Successor	Predecessor
	October 27, 2013	**April 28, 2013**
	(in millions)	*(in millions)*
Livestock	$ 1,169.6	$ 1,113.5
Fresh and packaged meats	1,129.1	960.8
Grains	112.7	162.0
Manufacturing supplies	65.3	57.7
Other	51.1	54.3
Total inventories	$ 2,527.8	$ 2,348.3

NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn and soybean meal, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate price risk. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. We attempt to closely match the commodity contract terms with the hedged item. We also periodically enter into interest rate swaps to hedge exposure to changes in interest rates on certain financial instruments and foreign exchange forward contracts to hedge certain exposures to fluctuating foreign currency rates.

We record all derivatives in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). We may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

We do not offset the fair value of derivative instruments with cash collateral held with or received from the same counter-party under a master netting arrangement. As of October 27, 2013, prepaid expenses and other current assets included $26.0 million representing cash on deposit with brokers to cover losses on our open derivative instruments. As of October 27, 2013, we had no cash on hand to cover gains on our open derivative instruments. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counter-party agreements. Additionally, certain of our derivative contracts contain credit risk-related contingent features, which would require us to post additional cash collateral to cover net losses on open derivative instruments if our credit rating was downgraded. As of October 27, 2013, the net liability position of our open derivative instruments that are subject to credit risk related contingent features was not material.

We are exposed to losses in the event of nonperformance or nonpayment by counter-parties under financial instruments. Although our counter-parties primarily consist of financial institutions that are investment grade, there is still a possibility that one or more of these companies could default. However, a majority of our financial instruments are exchange traded futures contracts held with brokers and counter-parties with whom we maintain margin accounts that are settled on a daily basis, thereby limiting our credit exposure to non-exchange traded derivatives. Determination of the credit quality of our counter-parties is based upon a number of factors, including credit ratings and our evaluation of their financial condition. As of October 27, 2013, we had credit exposure of $2.0 million on non-exchange traded derivative contracts, excluding the effects of netting arrangements. As a result of netting arrangements, we had no credit exposure as of October 27, 2013. No significant concentrations of credit risk existed as of October 27, 2013.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. All derivative contracts are recorded in prepaid expenses and other current assets or accrued expenses and other current liabilities within the consolidated condensed balance sheets, as appropriate.

The following table presents the fair values of our open derivative financial instruments in the consolidated condensed balance sheets on a gross basis.

	Assets		Liabilities	
	Successor	Predecessor	Successor	Predecessor
	October 27, 2013	April 28, 2013	October 27, 2013	April 28, 2013
	(in millions)	*(in millions)*	*(in millions)*	*(in millions)*
Derivatives using the "hedge accounting" method:				
Grain contracts	$ 1.1	$ 2.5	$ 8.3	$ 73.0
Livestock contracts	—	4.1	3.4	1.1
Foreign exchange contracts	0.7	0.2	0.1	0.1
Total	1.8	6.8	11.8	74.2
Derivatives using the "mark-to-market" method:				
Grain contracts	—	6.2	0.1	13.7
Livestock contracts	1.4	12.4	4.3	0.7
Energy contracts	0.4	3.1	0.3	0.6
Foreign exchange contracts	0.2	0.6	0.5	0.3
Total	2.0	22.3	5.2	15.3
Total fair value of derivative instruments	$ 3.8	$ 29.1	$ 17.0	$ 89.5

Hedge Accounting Method

Cash Flow Hedges

We enter into derivative instruments, such as futures, swaps and options contracts, to manage our exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, and the forecasted purchase of corn and soybean meal. In addition, we enter into foreign exchange contracts to manage our exposure to the variability in expected future cash flows attributable to changes in foreign exchange rates associated with the forecasted purchase or sale of assets denominated in foreign currencies. As of October 27, 2013, we had no cash flow hedges for forecasted transactions beyond December 2014.

When cash flow hedge accounting is applied, derivative gains or losses are recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Derivative gains and losses, when reclassified into earnings, are recorded in cost of sales for grain contracts, sales for lean hog contracts and selling, general and administrative expenses (SG&A) for foreign exchange contracts. Gains and losses on derivatives designed to hedge price risk associated with fresh pork sales are recorded in the Hog Production segment.

During the six months ended October 27, 2013, the range of notional volumes associated with open derivative instruments designated in cash flow hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	48,440,000	86,625,000	Bushels
Soybean meal	321,414	581,656	Tons
Lean hogs	86,600,000	777,360,000	Pounds
Foreign currency [1]	22,189,407	48,005,327	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following tables present the effects on our consolidated condensed financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships for the fiscal periods indicated:

	Gains (Losses) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			**Gains (Losses) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)**			**Gains (Losses) Recognized in Earnings on Derivative (Ineffective Portion)**		
	Successor	**Predecessor**		**Successor**	**Predecessor**		**Successor**	**Predecessor**	
	September 27- October 27, 2013	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**	**September 27- October 27, 2013**	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**	**September 27- October 27, 2013**	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**
Commodity contracts:									
Grain contracts	$ (6.8)	$ 7.5	$ (4.4)	$ (0.1)	$ (1.4)	$ 18.9	$ (1.6)	$ (0.5)	$ 0.7
Lean hog contracts	(0.8)	(24.6)	(1.4)	0.2	(3.2)	25.6	—	(0.8)	0.2
Foreign exchange contracts	0.7	0.6	1.6	—	(0.2)	(0.4)	—	—	—
Total	$ (6.9)	$ (16.5)	$ (4.2)	$ 0.1	$ (4.8)	$ 44.1	$ (1.6)	$ (1.3)	$ 0.9

	Successor	**Predecessor**		**Successor**	**Predecessor**		**Successor**	**Predecessor**	
	September 27- October 27, 2013	**April 29- September 26, 2013**	**Six Months Ended October 28, 2012**	**September 27- October 27, 2013**	**April 29- September 26, 2013**	**Six Months Ended October 28, 2012**	**September 27- October 27, 2013**	**April 29- September 26, 2013**	**Six Months Ended October 28, 2012**
		(in millions)			*(in millions)*			*(in millions)*	
Commodity contracts:									
Grain contracts	$ (6.8)	$ 3.1	$ 129.5	$ (0.1)	$ 23.6	$ 21.6	$ (1.6)	$ 1.3	$ 3.4
Lean hog contracts	(0.8)	(29.3)	(1.1)	0.2	5.9	57.8	—	(0.8)	0.3
Foreign exchange contracts	0.7	(0.4)	(0.2)	—	(0.3)	(0.6)	—	—	—
Total	$ (6.9)	$ (26.6)	$ 128.2	$ 0.1	$ 29.2	$ 78.8	$ (1.6)	$ 0.5	$ 3.7

For the fiscal periods presented, foreign exchange contracts were determined to be highly effective. We have excluded from the assessment of effectiveness differences between spot and forward rates, which we have determined to be immaterial.

As of October 27, 2013, there were deferred net losses of $4.4 million, net of tax of $2.9 million, in accumulated other comprehensive income (loss). We expect to reclassify $1.6 million ($1.0 million net of tax) of deferred net gains on closed commodity contracts into earnings within the next twelve months. We are unable to estimate the amount of unrealized gains or losses to be reclassified into earnings within the next twelve months related to open contracts as their values are subject to change.

Fair Value Hedges

We enter into derivative instruments (primarily futures contracts) that are designed to hedge changes in the fair value of live hog inventories and firm commitments to buy grains. When fair value hedge accounting is applied, derivative gains and losses are recognized in earnings currently along with the change in fair value of the hedged item attributable to the risk being hedged. The gains or losses on the derivative instruments and the offsetting losses or gains on the related hedged items are recorded in cost of sales for commodity contracts.

During the six months ended October 27, 2013, the range of notional volumes associated with open derivative instruments designated in fair value hedging relationships was as follows:

	Minimum	Maximum	Metric
Commodities:			
Corn	—	4,130,000	Bushels

The following tables present the effects on our consolidated condensed statements of income of gains and losses on derivative instruments designated in fair value hedging relationships and the related hedged items for the fiscal periods indicated:

	Gains (Losses) Recognized in Earnings on Derivative			Gains (Losses) Recognized in Earnings on Related Hedged Item		
	Successor	Predecessor		Successor	Predecessor	
	September 27 - October 27, 2013	July 29 - September 26, 2013	Three Months Ended October 28, 2012	September 27 - October 27, 2013	July 29 - September 26, 2013	Three Months Ended October 28, 2012
		(in millions)			*(in millions)*	
Commodity contracts	$ —	0.1	$ 7.7	$ —	$ (0.1)	$ (9.1)

	Successor	Predecessor		Successor	Predecessor	
	September 27- October 27, 2013	April 29 - September 26, 2013	Six Months Ended October 28, 2012	September 27- October 27, 2013	April 29 - September 26, 2013	Six Months Ended October 28, 2012
		(in millions)			*(in millions)*	
Commodity contracts	$ —	$ 0.5	$ (18.7)	$ —	$ (0.5)	$ 11.2

In connection with the Merger, we closed all commodity derivative contracts on September 26, 2013. As a result, we did not recognize gain or losses during the Successor period September 27 - October 27, 2013 on closed commodity derivative contracts. We recognized gains of $2.0 million during the Predecessor period July 29 - September 26, 2013 and $1.1 million for the three months ended October 28, 2012 on closed commodity derivative contracts as the underlying cash transactions affected earnings. We recognized gains of $4.1 million during the Predecessor period April 29 - September 26, 2013, and $4.5 million for the six months ended October 28, 2012 on closed commodity derivative contracts as the underlying cash transactions affected earnings.

For fair value hedges of inventory, we elect to exclude from the assessment of effectiveness differences between the spot and futures prices. These differences are recorded directly into earnings as they occur. These differences resulted in losses of $1.2 million for the three months ended October 28, 2012 and losses of $7.5 million for the six months ended October 28, 2012. There were no fair value hedges of inventory during the six months ended October 27, 2013, and therefore no differences between spot and futures prices were recognized during the Successor period ended October 27, 2013 nor during the Predecessor period April 29 - September 26, 2013.

Mark-to-Market Method

Derivative instruments that are not designated as a hedge, have been de-designated from a hedging relationship, or do not meet the criteria for hedge accounting are marked-to-market with the unrealized gains and losses together with actual realized gains and losses from closed contracts being recognized in current period earnings. Under the mark-to-market method, gains and losses are recorded in cost of sales for commodity contracts, and SG&A for foreign exchange contracts.

During the six months ended October 27, 2013, the range of notional volumes associated with open derivative instruments using the "mark-to-market" method was as follows:

	Minimum	**Maximum**	**Metric**
Commodities:			
Lean hogs	3,280,000	82,400,000	Pounds
Corn	25,000	10,115,000	Bushels
Soybean meal	—	34,145	Tons
Soybeans	—	1,220,000	Bushels
Wheat	—	750,000	Bushels
Natural gas	8,470,000	10,870,000	Million BTU
Diesel	1,764,000	3,360,000	Gallons
Foreign currency [1]	22,987,556	60,968,251	US Dollars

(1) Amounts represent the US dollar equivalent of various foreign currency contracts.

The following tables present the amount of gains and losses recognized in the consolidated condensed statements of income on derivative instruments using the "mark-to-market" method by type of derivative contract for the fiscal periods indicated:

	Successor	**Predecessor**	
	September 27- October 27, 2013	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**
		(in millions)	
Commodity contracts	$ 1.7	$ 2.5	$ 17.1
Foreign exchange contracts	0.4	0.1	(0.4)
Total	$ 2.1	$ 2.6	$ 16.7

	Successor	Predecessor	
	September 27-October 27, 2013	April 29-September 26, 2013	Six Months Ended October 28, 2012
		(in millions)	
Commodity contracts	$ 1.7	$ 8.5	$ 8.9
Foreign exchange contracts	0.4	(0.2)	4.2
Total	$ 2.1	$ 8.3	$ 13.1

The tables above reflect gains and losses from both open and closed contracts including, among other things, gains and losses related to contracts designed to hedge price movements that occur entirely within a quarter. The tables include amounts for both realized and unrealized gains and losses. The tables are not, therefore, simple representations of unrealized gains and losses recognized in the income statement during any period presented.

NOTE 5: INVESTMENTS

Investments consist of the following:

		Successor	Predecessor
Equity Investment	**% Owned**	**October 27, 2013**	**April 28, 2013**
		(in millions)	*(in millions)*
Campofrio Food Group (CFG)	37%	$ 349.9	$ 376.2
Mexican joint ventures	50%	122.1	129.6
Other	Various	27.8	26.6
Total investments		$ 499.8	$ 532.4

We record our share of earnings and losses from our equity method investments in (income) loss from equity method investments. Some of these results are reported on a one-month lag which, in our opinion, does not materially impact our consolidated condensed financial statements.

As of October 27, 2013, we held 37.8 million shares of CFG common stock. Shares of CFG are publicly traded on the Bolsa de Madrid Exchange (Madrid Exchange). Our investment in CFG contractually entitles us to two seats on CFG's 9-person board of directors, giving us the ability to exert significant influence over the strategic and operational decisions of our investee. The stock is very thinly traded on the Madrid Exchange. CFG is a closely held company, with the three largest shareholders owning approximately 74% of the outstanding shares. We are CFG's largest shareholder, with approximately a 37% interest.

As discussed in Note 2—Merger and Acquisition, we performed a preliminary allocation of the total purchase consideration from the Merger between the assets acquired and liabilities assumed by Shuanghui, including our investments. In assessing the fair value of our investment in CFG, we considered a variety of information, including CFG's history of positive cash flows, expectations about the future cash flows of CFG, market multiples for comparable businesses, and an influence premium applied to the market price of CFG's shares on the Madrid Exchange to adjust for our contractual right to two board seats and our ability to exert significant influence over the operational and strategic decisions.

In November 2013, Mexican processed meats producer Sigma Alimentos (Sigma) announced its intention to tender for all of CFG's outstanding shares at a bid price of €6.80 per share (the Bid Price). As part of the announcement, Sigma publicly acknowledged that it has obtained commitments to purchase approximately 44.5% of CFG's outstanding shares at the Bid Price. The Bid Price offered by Sigma was also considered in our fair value assessment discussed above. We, along with Shuanghui, are currently weighing our options and no decision has been made regarding Sigma's offer.

(Income) loss from equity method investments consists of the following:

		Successor	Predecessor	
Equity Investment	**Segment**	**September 27-October 27, 2013**	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**
			(in millions)	
CFG[1]	International	$ (0.1)	$ (0.3)	$ (1.3)
Mexican joint ventures	International	(1.4)	(0.9)	(5.9)
All other equity method investments	Various	0.3	—	0.5
Income from equity method investments		$ (1.2)	$ (1.2)	$ (6.7)

		Successor	Predecessor	
Equity Investment	**Segment**	**September 27-October 27, 2013**	**April 29-September 26, 2013**	**Six Months Ended October 28, 2012**
			(in millions)	
CFG[1]	International	$ (0.1)	$ (0.4)	$ (1.4)
Mexican joint ventures	International	(1.4)	2.1	(5.5)
All other equity method investments	Various	0.3	(1.2)	(0.5)
(Income) loss from equity method investments		$ (1.2)	$ 0.5	$ (7.4)

(1) CFG prepares its financial statements in accordance with International Financial Reporting Standards. Our share of CFG's results reflects U.S. GAAP adjustments and thus, there may be differences between the amounts we report for CFG and the amounts reported by CFG.

NOTE 6: DEBT

Long-term debt consists of the following:

	Successor	Predecessor
	October 27, 2013	**April 28, 2013**
	(in millions)	*(in millions)*
6.625% senior unsecured notes, due August 2022, including unamortized premiums of $22.0 million (Successor) and unamortized discounts of $4.7 million (Predecessor)	$ 1,021.6	$ 995.3

	Successor	Predecessor
	October 27, 2013	April 28, 2013
	(in millions)	*(in millions)*
7.75% senior unsecured notes, due July 2017, including unamortized premiums of $56.8 million (Successor)	556.8	500.0
5.25% senior unsecured notes, due August 2018	500.0	—
5.875% senior unsecured notes, due August 2021	400.0	—
7.75% senior unsecured notes, due May 2013	—	55.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $4.1 million	—	395.9
Floating rate senior unsecured term loan, due May 2018	200.0	200.0
Floating rate senior unsecured term loan, due February 2014	—	200.0
Inventory Revolver, LIBOR plus 3.25%	485.0	—
Securitization Facility, the lender's cost of funds of 0.23% plus 1.15%	120.0	—
Various, interest rates from 0.0% to 5.20%, due February 2014 through June 2017	129.5	132.9
Total debt	3,412.9	2,479.1
Current portion	(62.0)	(675.1)
Total long-term debt	$ 3,350.9	$ 1,804.0

Debt Retirement

In September 2013, we repaid our $200.0 million floating rate unsecured term loan due in February 2014.

In May 2013, we repaid the remaining outstanding principal amount on our 7.75% senior unsecured notes totaling $55.0 million.

In July 2013, we repaid the outstanding principal amount on our 4% senior unsecured convertible notes totaling $400.0 million (Convertible Notes). As part of the settlement of the Convertible Notes, we delivered 3,894,476 shares of our common stock to the holders of the notes. Simultaneously, we exercised our call option to acquire shares of our common stock, which we entered into in connection with the original issuance of the Convertible Notes, and received 3,894,510 shares from the counter-parties. As a result, we retired 34 net shares of our common stock upon the settlement of the Convertible Notes.

Debt Assumed

On July 31, 2013, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes) as part of the financing for the acquisition of the Company. Upon the consummation of the Merger and release of the proceeds from escrow, the Merger Sub Notes became unsecured obligations of the Company ranking equally in right of payment with all of our existing and future senior unsecured indebtedness.

Working Capital Facilities

As of October 27, 2013, we had aggregate credit facilities and credit lines totaling $1.4 billion, including an inventory-based revolving credit facility totaling $1.025 billion (the Inventory Revolver), an accounts receivable securitization facility totaling $275.0 million (the Securitization Facility) and international credit facilities totaling $144.8 million. As of October 27, 2013, our unused capacity under these credit facilities and credit lines was $667.6 million.

As part of the Securitization Facility agreement, all accounts receivable of our major Pork segment subsidiaries 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 our consolidated financial statements and therefore, the accounts receivable owned by it are included in our consolidated balance sheet. However, the accounts receivable owned by the SPV are separate and distinct from our other assets and are not available to our other creditors should we become insolvent. As of October 27, 2013, the SPV held $534.6 million of accounts receivable.

NOTE 7: GUARANTEES

As part of our business, we are a party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated condensed balance sheets. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability on our consolidated balance sheet.

As of October 27, 2013, we continued to guarantee $9.7 million o f leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. This guaranty may remain in place until the leases expire through February 2022.

NOTE 8: INCOME TAXES

Our effective tax rate was 24% for the Successor period, (36)% for the Predecessor period from July 29 - September 26, 2013 and 32% for the three months ended October 28, 2012, respectively. Our effective tax rate was 20% for the Predecessor period from April 29 - September 26, 2013 and 31% for the six months ended October 28, 2012, respectively.

Taxable income relative to permanent items and the mix of income between jurisdictions for the Successor period impacted the effective tax rate. The Predecessor periods are also impacted by income relative to permanent items for the period, the mix of income between jurisdictions, and state income tax credits.

Beginning with the Successor period, the Company, with its respective subsidiaries, is included in its US parent company's consolidated federal income tax group and consolidated income tax return. The members of the consolidated group have elected to allocate income taxes among the members of the group by the separate return method, under which the parent company credits the subsidiary for income tax reductions resulting from the subsidiary's inclusion in the consolidated return, or the parent company charges the subsidiary for its allocated share of the consolidated income tax liability.

NOTE 9: PENSION PLANS

The components of net periodic pension cost consist of:

	Successor	Predecessor	
	September 27- October 27, 2013	July 29- September 26, 2013	Three Months Ended October 28, 2012
		(in millions)	
Service cost	$ 3.3	$ 9.0	$ 11.8
Interest cost	7.2	13.0	18.7
Expected return on plan assets	(6.5)	(14.1)	(19.7)
Net amortization	—	9.9	13.2
Net periodic pension cost	$ 4.0	$ 17.8	$ 24.0

	Successor	Predecessor	
			Six
	September 27- October 27, 2013	April 29- September 26, 2013	Months Ended October 28, 2012
		(in millions)	
Service cost	$ 3.3	$ 22.6	$ 23.6
Interest cost	7.2	32.8	37.4
Expected return on plan assets	(6.5)	(35.4)	(39.4)
Net amortization	—	24.8	26.4
Net periodic pension cost	$ 4.0	$ 44.8	$ 48.0

NOTE 10: EQUITY

Common Stock

As a result of the Merger, all outstanding common stock of the Company during the Predecessor period was acquired by Shuanghui and retired. See Note 2—Merger and Acquisition for further information on the Merger.

As a result of the Merger, all of the outstanding shares of Merger Sub were converted into 1,000 shares of common stock of the Company, no par value, and such shares are owned by a wholly owned subsidiary of Shuanghui. There are no other shares of stock outstanding in the Company.

Stock Options and Performance Share Units

At October 27, 2013, the Company has no outstanding stock option awards or performance share units and no new equity plans have been approved by the Board of Directors.

Other Comprehensive Income (Loss)

The following tables present changes in the accumulated balances for each component of other comprehensive income (loss) and the related effects on net income of amounts reclassified out of other comprehensive income (loss).

	Successor			Predecessor					
	September 27-October 27, 2013			July 29-September 26, 2013			Three Months Ended October 28, 2012		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
	(in millions)								
Foreign currency translation:									
Translation adjustment arising during the period	$ 28.9	$ (1.0)	$ 27.9	$ 16.2	$ (3.6)	$ 12.6	$ 51.5	$ (2.0)	$ 49.5
Pension accounting:									
Amortization of actuarial losses and prior service credits reclassified to cost of sales	—	—	—	3.1	(1.2)	1.9	(1.3)	0.5	(0.8)
Amortization of actuarial losses and prior service credits reclassified to SG&A	—	—	—	6.8	(2.7)	4.1	14.5	(5.7)	8.8
Hedge accounting:									
Gains (losses) arising during the period	(6.9)	2.8	(4.1)	(16.5)	6.5	(10.0)	(4.2)	2.0	(2.2)
Gains reclassified to sales	(0.2)	—	(0.2)	3.2	(1.3)	1.9	(25.6)	10.0	(15.6)
Gains reclassified to cost of sales	0.1	(0.1)	—	1.4	(0.5)	0.9	(18.9)	7.4	(11.5)
Losses reclassified to SG&A	—	—	—	0.2	—	0.2	0.4	—	0.4
Total other comprehensive income (loss)	$ 21.9	$ 1.7	$ 23.6	$ 14.4	$ (2.8)	$ 11.6	$ 16.4	$ 12.2	$ 28.6

	Successor			Predecessor					
	September 27- October 27, 2013			April 29 - September 26, 2013			Six Months Ended October 28, 2012		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
				(in millions)					
Foreign currency translation:									
Translation adjustment arising during the period	$ 28.9	$ (1.0)	$ 27.9	$ 23.3	$ (6.4)	$ 16.9	$ (38.8)	$ 4.2	$ (34.6)
Pension accounting:									
Amortization of actuarial losses and prior service credits reclassified to cost of sales	—	—	—	7.4	(2.9)	4.5	8.0	(3.1)	4.9
Amortization of actuarial losses and prior service credits reclassified to SG&A	—	—	—	17.4	(6.8)	10.6	18.5	(7.2)	11.3
Hedge accounting:									
Gains (losses) arising during the period	(6.9)	2.8	(4.1)	(26.6)	10.3	(16.3)	128.2	(49.9)	78.3
Gains reclassified to sales	(0.2)	—	(0.2)	(5.9)	2.3	(3.6)	(57.8)	22.5	(35.3)
Gains reclassified to cost of sales	0.1	(0.1)	—	(23.6)	9.2	(14.4)	(21.6)	8.4	(13.2)
Losses reclassified to SG&A	—	—	—	0.3	—	0.3	0.6	(0.1)	0.5
Total other comprehensive income (loss)	$ 21.9	$ 1.7	$ 23.6	$ (7.7)	$ 5.7	$ (2.0)	$ 37.1	$ (25.2)	$ 11.9

NOTE 11: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to consider and reflect the assumptions of market participants in fair value calculations. These factors include nonperformance risk (the risk that an obligation will not be fulfilled) and credit risk, both of the reporting entity (for liabilities) and of the counterparty (for assets).

We use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs, such as observable, independent market data, that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk and credit risk.

The FASB has established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3—unobservable for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

We have classified assets and liabilities measured at fair value based on the lowest level of input that is significant to the fair value measurement. For the periods presented, we had no transfers of assets or liabilities between levels within the fair value hierarchy. The timing of any such transfers would be determined at the end of each reporting period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, our non-pension financial assets and liabilities that were measured at fair value on a recurring basis as of October 27, 2013 and April 28, 2013:

	Successor October 27, 2013				**Predecessor April 28, 2013**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	(in millions)				*(in millions)*			
Assets								
Derivatives:								
Commodity contracts	$ —	$ —	$ —	$ —	$ 6.8	$ —	$ —	$ 6.8
Foreign exchange contracts	—	0.9	—	0.9	—	0.8	—	0.8
Bond securities	23.3	—	—	23.3	—	—	—	—
Certificate of deposit	20.0	—	—	20.0	—	—	—	—
Open-ended mutual funds	—	—	—	—	6.4	—	—	6.4
Insurance contracts	—	64.0	—	64.0	—	60.0	—	60.0
Total	$ 43.3	$ 64.9	$ —	$ 108.2	$ 13.2	$ 60.8	$ —	$ 74.0
Liabilities								
Derivatives:								
Commodity contracts	$ 7.6	$ 5.9	$ —	$ 13.5	$ 30.5	$ 37.1	$ —	$ 67.6
Foreign exchange contracts	—	0.6	—	0.6	—	0.4	—	0.4
Total	$ 7.6	$ 6.5	$ —	$ 14.1	$ 30.5	$ 37.5	$ —	$ 68.0

The following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value on a recurring basis:

- *Derivatives*—Derivatives classified within Level 1 are valued using quoted market prices. In some cases where quoted market prices are not available, we value the derivatives using pricing models based on the net present value of estimated future cash flows to calculate fair value, in which case the measurements are classified within Level 2. These valuation models make use of market-based observable inputs, including exchange prices and rates, yield curves, credit curves, and measures of volatility.

- *Bond securities*—Bond securities are valued at quoted market prices and are classified within Level 1.

- *Certificate of deposit*—The certificate of deposit is a bank deposit valued at cost, which approximates fair value due to the short-term maturity of the instrument, and is classified within Level 1.

- *Open-ended mutual funds*—Open-ended mutual funds are valued at their net asset value (NAV), which approximates fair value, and classified as Level 1.

- *Insurance contracts*—Insurance contracts are valued at their cash surrender value using the daily asset unit value (AUV) which is based on the quoted market price of the underlying securities and classified within Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. We had no significant assets or liabilities that were measured and recorded at fair value on a nonrecurring basis during the Successor and Predecessor periods presented.

Other Financial Instruments

We determine the fair value of public debt using Level 2 inputs based on quoted market prices. The carrying amount of all other debt approximates fair value as those instruments are based on variable interest rates. The following table presents the fair value and carrying value of long-term debt, including the current portion of long-term debt as of October 27, 2013 and April 28, 2013.

	Successor October 27, 2013		Predecessor April 28, 2013	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
	(in millions)		*(in millions)*	
Long-term debt, including current portion	$ 3,505.5	$ 3,412.9	$ 2,732.9	$ 2,479.1

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the relatively short-term maturity of these instruments.

NOTE 12: CONTINGENCIES

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

We from time to time receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with such laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

North Carolina Nuisance Litigation

In July, August and September 2013, 25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and our wholly owned subsidiary, Murphy-Brown. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim, and for a More Definite Statement in all 25 cases.

All 25 complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but not initiated any formal legal process. The Company believes that the claims are unfounded and intends to defend the suits vigorously.

Our policy for establishing accruals and disclosures for contingent liabilities is contained in Note 1-Summary of Significant Accounting Policies in our Annual Report on Form 10-K for the fiscal year ended April 28, 2013. We established a reserve estimating our expenses to defend against these and similar potential claims on the opening balance sheet. Consequently, expenses and other liabilities associated with these claims for subsequent periods will not affect our profits or losses unless our reserve proves to be insufficient or excessive. However, legal expenses incurred in our and our subsidiaries' defense of these claims and any payments made to plaintiffs through unfavorable verdicts or otherwise will negatively impact our cash flows and our liquidity position. Given that this matter is in its very preliminary stages and given the inherent uncertainty of the outcome for these and similar potential claims, we cannot estimate the reasonably possible loss or range of loss for these loss contingencies outside the expenses we will incur to defend against these claims. We will continue to review whether an additional accrual is necessary and whether we have the ability to estimate the reasonably possible loss or range of loss for these matters.

NOTE 13: REPORTABLE SEGMENTS

Our operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and assess performance. For external reporting purposes, we aggregate operating segments which have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments based on a combination of factors, including products produced and geographic areas of operations.

Our reportable segments are: Pork, Hog Production, International, Other and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments. The Pork segment consists mainly of our three wholly owned US fresh pork and packaged meats subsidiaries: The S mithfield Packing Company, Inc., Farmland Foods, Inc. and John Morrell Food Group. The Hog Production segment consists of our hog production operations located in the US The International segment is comprised mainly of our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. The Corporate segment provides management and administrative services to support our other segments.

The following tables present sales and operating profit (loss) by segment for the fiscal periods indicated:

	Successor	Predecessor	
	September 27- October 27, 2013	**July 29- September 26, 2013**	**Three Months Ended October 28, 2012**
		(in millions)	
Sales:			
Segment sales—			
Pork	$ 960.3	$ 1,931.6	$ 2,720.9
Hog Production	280.5	566.7	734.0
International	137.6	267.6	358.6
Total segment sales	1,378.4	2,765.9	3,813.5
Intersegment sales—			
Pork	(3.6)	(7.5)	(12.3)
Hog Production	(232.6)	(465.7)	(568.0)
International	(3.1)	(6.5)	(7.4)
Total intersegment sales	(239.3)	(479.7)	(587.7)
Consolidated sales	$ 1,139.1	$ 2,286.2	$ 3,225.8
Operating profit:			
Pork	$ 33.4	$ 37.1	$ 194.3
Hog Production	(1.5)	14.9	(32.6)
International	5.8	14.0	40.9
Corporate	(28.3)	(34.1)	(24.3)
Consolidated operating profit	$ 9.4	$ 31.9	$ 178.3

	Successor	Predecessor	
	September 27- October 27, 2013	April 29 - September 26, 2013	Six Months Ended October 28, 2012
		(in millions)	
Sales:			
Segment sales—			
Pork	$ 960.3	$ 4,782.0	$ 5,320.5
Hog Production	280.5	1,439.1	1,462.8
International	137.6	643.6	705.4
Total segment sales	1,378.4	6,864.7	7,488.7
Intersegment sales—			
Pork	(3.6)	(19.0)	(20.7)
Hog Production	(232.6)	(1,150.3)	(1,135.3)
International	(3.1)	(15.9)	(15.6)
Total intersegment sales	(239.3)	(1,185.2)	(1,171.6)
Consolidated sales	$ 1,139.1	$ 5,679.5	$ 6,317.1
Operating profit:			
Pork	$ 33.4	$ 98.5	$ 312.9
Hog Production	(1.5)	81.4	(9.5)
International	5.8	15.9	56.7
Corporate	(28.3)	(66.6)	(50.0)
Consolidated operating profit	$ 9.4	$ 129.2	$ 310.1

The following table presents total assets by segment for the fiscal periods indicated:

	Successor[(1)]	Predecessor
	October 27, 2013	April 28, 2013
	(in millions)	(in millions)
Pork	$ 2,574.6	$ 2,059.5
Hog Production	2,174.0	1,879.5
International	1,656.9	1,572.5
Corporate	2,107.3	1,422.5
Goodwill[(2)]	1,601.8	782.4
Consolidated total assets	$ 10,114.6	$ 7,716.4

(1) The amounts presented are based on the preliminary allocation of consideration to the assets acquired and liabilities assumed by Shuanghui in the Merger and reflect preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. See Note 2—Merger and Acquisition for further discussion.

(2) As noted in Note 2—Merger and Acquisition, goodwill recognized as a result of the Merger has not been allocated to our reportable segments as of October 27, 2013. We have chosen to present goodwill unallocated as of April 28, 2013 so that the two periods are comparable.

(B) DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY WH GROUP LIMITED AND SMITHFIELD FOODS, INC.

As described in the section entitled "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies Ordinance", the Company has applied to the Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants' report of Smithfield in accordance with Rule 4.05A of the Listing Rules.

Instead this prospectus contains a copy of the:

(a) Smithfield consolidated U.S. GAAP financial statements cover each of the three years ended May 1, 2011, April 29, 2012 and April 28, 2013 audited by Ernst & Young LLP, Smithfield's then independent auditor and as of December 29, 2013 and for the periods from September 27, 2013 to December 29, 2013 (successor) and from April 29, 2013 to September 26, 2013 (predecessor) audited by Deloitte & Touche LLP; and

(b) Smithfield unaudited U.S. GAAP condensed consolidated financial information under U.S. GAAP for the two three-month periods ended July 28, 2013 and October 27, 2013 have been filed with the SEC in accordance with Article 10 of Regulation S-X under the U.S. Securities Act and were reviewed by Ernst & Young LLP and Deloitte & Touche LLP respectively in accordance with Public Company Accounting Oversight Board AU section 722, Interim Financial Information, which is equivalent to a review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The consolidated financial statements of Smithfield Foods, Inc. ("Smithfield") are prepared using accounting policies in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), which differ in certain significant respects from the accounting policies presently adopted by WH Group Limited (the "Company") which comply with International Financial Reporting Standards ("IFRS").

This summary provides information about the differences between Smithfield's accounting policies and the Company's accounting policies with respect to recognition and measurement that, in the opinion of the directors of the Company, would have a material effect on total assets, total liabilities, total equity and net income of Smithfield (the "Reconciliation Information") for each of the three years ended May 1, 2011, April 29, 2012 and April 28, 2013 and for the period from April 29, 2013 to September 26, 2013 and for the two three-month periods ended July 28, 2013 and October 27, 2013 (the "Historical Track Record Period"). This summary is not intended to provide the effect on the financial information of Smithfield under IFRS 1 First-time Adoption of International Financial Reporting Standards. The reader should note that the IFRS adjustments below have considered the use of IFRS 1 business combination exemption, and hence have not taken into account the impact on business combinations that occurred prior to May 3, 2010 (the date of the earliest period presented).

On September 26, 2013, pursuant to the Merger Agreement and Plan of Merger dated May 28, 2013 with the Company, Smithfield merged with Sun Merger Sub, Inc., a wholly-owned subsidiary of the Company, in a transaction hereinafter referred to as the Merger. As a result of the Merger, Smithfield survived as a wholly-owned subsidiary of the Company.

The Merger was accounted for as a business combination using the acquisition method of accounting. The Company's cost of acquiring Smithfield has been pushed-down to establish a new accounting basis for Smithfield for U.S. GAAP purposes. Accordingly, the financial information for the three-month period ended October 27, 2013 is presented in Smithfield's Form 10-Q dated December 6, 2013 with two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger respectively. For the purpose of reconciliation of the net income for the three-month period ended October 27, 2013, the two-month period ended September 26, 2013 (predecessor) and the one-month period ended October 26, 2013 (successor) are combined and presented on an aggregated basis (combined). The Predecessor and Successor/combined periods have been separated by a vertical line on the face of the reconciliation to highlight the fact that the financial information for such periods has been prepared under two different historical cost bases of accounting.

Similarly, the financial information for the eight-month period ended December 29, 2013 is presented in Smithfield's Form 10-Q dated March 20, 2014 with two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger respectively. For the purpose of the Reconciliation Information, the net income for the five-month period ended September 26, 2013 (predecessor) is extracted for reconciliation.

Reconciliation Process

The Reconciliation Information has been prepared by the directors of the Company by comparing the differences between the applicable accounting policies adopted by Smithfield and the applicable accounting policies adopted by the Company in respect of Smithfield's financial information for the Historical Track Record Period and quantifying the relevant material financial effects of such differences, if any. The Reconciliation Information has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of Smithfield's financial positions as at May 1, 2011, April 29, 2012, April 28, 2013, July 28, 2013, September 26, 2013 and October 27, 2013, nor its results for the years/periods then ended under the accounting policies presently adopted by the Company which comply with IFRS.

Deloitte Hong Kong was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the Reconciliation Information. The work consisted primarily of:

(i) comparing the "Consolidated balance sheets under Smithfield's accounting policies" and "Consolidated statements of income under Smithfield's accounting policies" as set out in the section entitled "Material Quantifiable Accounting Policy Differences (Unaudited)" with the Smithfield's Forms 10-K and Forms 10-Q for the Historical Track Record Period (the "Smithfield's Historical Track Record Period Accounts");

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "Consolidated balance sheets under the Company's accounting policies" and "Consolidated statements of income under the Company's accounting policies" set out in the section entitled "Material Quantifiable Accounting Policy Differences (Unaudited)", which included examining the differences between Smithfield's accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the section entitled "Material Quantifiable Accounting Policy Differences (Unaudited)".

Deloitte Hong Kong's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Deloitte Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation Information. Deloitte Hong Kong's engagement was intended solely for the use of the directors of the Company in connection with this prospectus and may not be suitable for another purpose. Based on the work performed, Deloitte Hong Kong has concluded that:

(i) the "Consolidated balance sheets under Smithfield's accounting policies" and "Consolidated statements of income under Smithfield's accounting policies" as set out in the section entitled "Material Quantifiable Accounting Policy Differences (Unaudited)" is in agreement with the Smithfield's Historical Track Record Period Accounts;

(ii) the adjustments made in arriving at the "Consolidated balance sheets under the Company's accounting policies" and "Consolidated statements of income under the Company's accounting policies" set out in the section entitled "Material Quantifiable Accounting Policy Differences (Unaudited)", reflect in all material respects, the differences between Smithfield's accounting policies and the Company's accounting policies; and

(iii) the computation of the section "Material Quantifiable Accounting Policy Differences (Unaudited)" is arithmetically accurate.

Material Quantifiable Accounting Policy Differences (Unaudited)

Consolidated Balance Sheets

		Successor				Predecessor		
		At October 27, 2013				At July 28, 2013		
		Under Smithfield's accounting policies	**Push-down accounting adjustment**	**Other adjustments total**	**Under the Company's accounting policies**	**Under Smithfield's accounting policies**	**Total adjustments**	**Under the Company's accounting policies**
	Notes	*US$ million*	*US$ million* *Note f*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Assets								
Current assets:								
Cash and cash equivalents		134.1	—	—	134.1	192.8	—	192.8
Accounts receivable, net		808.2	—	—	808.2	767.9	—	767.9
Inventories	a	2,527.8	(16.8)	(1,145.1)	1,365.9	2,353.2	(1,139.1)	1,214.1
Biological assets	a	—	—	1,193.4	1,193.4	—	1,185.7	1,185.7
Prepaid expenses and other current assets	g	210.1	(55.2)	(37.7)	117.2	154.9	(18.4)	136.5
Total current assets		3,680.2	(72.0)	10.6	3,618.8	3,468.8	28.2	3,497.0
Property, plant and equipment, net	a	2,750.6	(381.9)	(193.6)	2,175.1	2,336.2	(184.4)	2,151.8
Biological assets	a	—	—	197.2	197.2	—	179.2	179.2
Goodwill		1,601.8	(774.0)	—	827.8	826.2	—	826.2
Investments	c	499.8	48.0	6.7	554.5	533.6	6.5	540.1
Intangible assets, net		1,406.3	(1,013.7)	—	392.6	389.6	—	389.6
Other assets	b, g	175.9	(3.4)	(8.3)	164.2	169.8	(33.0)	136.8
Total assets		10,114.6	(2,197.0)	12.6	7,930.2	7,724.2	(3.5)	7,720.7

		Successor At October 27, 2013				Predecessor At July 28, 2013		
	Notes	Under Smithfield's accounting policies US$ million	Push-down accounting adjustment US$ million Note f	Other adjustments total US$ million	Under the Company's accounting policies US$ million	Under Smithfield's accounting policies US$ million	Total adjustments US$ million	Under the Company's accounting policies US$ million
Liabilities and equity								
Current liabilities:								
Current portion of long-term debt and capital lease obligations		63.1	—	—	63.1	210.9	—	210.9
Accounts payable		518.7	(30.6)	—	488.1	468.9	—	468.9
Accrued expenses and other current liabilities	g	618.0	(82.2)	18.6	554.4	554.5	17.7	572.2
Total current liabilities		1,199.8	(112.8)	18.6	1,105.6	1,234.3	17.7	1,252.0
Long-term debt and capital lease obligations	b	3,376.1	(83.5)	(20.4)	3,272.2	2,290.7	(33.0)	2,257.7
Deferred income taxes, net and other liabilities	a, c, e, g	1,321.5	(290.9)	25.5	1,056.1	1,023.7	21.1	1,044.8
Total liabilities		5,897.4	(487.2)	23.7	5,433.9	4,548.7	5.8	4,554.5
Redeemable noncontrolling interests	e	47.2	—	(47.2)	—	48.6	(48.6)	—
Equity:								
Shareholders' equity:								
Preferred stock		—	—	—	—	—	—	—
Common stock		—	69.6	—	69.6	69.6	—	69.6
Additional paid-in capital	g	4,162.4	(3,482.7)	—	679.7	1,393.6	6.2	1,399.8
Stock held in trust		—	(69.5)	—	(69.5)	(69.2)	—	(69.2)
Retained earnings	a, c, d, g	(16.6)	2,383.0	38.0	2,404.4	2,362.1	36.5	2,398.6
Accumulated other comprehensive loss	d	23.6	(610.2)	(1.9)	(588.5)	(629.8)	(3.4)	(633.2)
Total shareholders' equity		4,169.4	(1,709.8)	36.1	2,495.7	3,126.3	39.3	3,165.6
Noncontrolling interests		0.6	—	—	0.6	0.6	—	0.6
Total equity		4,170.0	(1,709.8)	36.1	2,496.3	3,126.9	39.3	3,166.2
Total liabilities and equity		10,114.6	(2,197.0)	12.6	7,930.2	7,724.2	(3.5)	7,720.7

Consolidated Statements of Income

		Successor				Predecessor		
		Three months ended October 27, 2013 *				Three months ended July 28, 2013		
	Notes	**Under Smithfield's accounting policies**	**Push-down accounting adjustment**	**Other adjustments total**	**Under the Company's accounting policies**	**Under Smithfield's accounting policies**	**Total adjustments**	**Under the Company's accounting policies**
		US$ million	*US$ million* *Note f*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Sales		3,425.3	—	—	3,425.3	3,393.3	—	3,393.3
Cost of sales	a	(3,147.8)	23.6	10.5	(3,113.7)	(3,089.1)	34	(3,055.1)
Gross profit		277.5	23.6	10.5	311.6	304.2	34	338.2
Selling, general and administrative expenses	d	(203.9)	(13.1)	3.1	(213.9)	(205.2)	5.6	(199.6)
Merger related costs		(34.7)	—	—	(34.7)	—	—	—
Loss (income) from equity method investments	c	2.4	—	(0.1)	2.3	(1.7)	2.4	0.7
Operating profit		41.3	10.5	13.5	65.3	97.3	42.0	139.3
Interest expense		(53.9)	(1.5)	—	(55.4)	(41.8)	—	(41.8)
Income (loss) before income taxes		(12.6)	9.0	13.5	9.9	55.5	42.0	97.5
Income tax (expense) credit	a, c, d, g	8.4	—	(5.3)	3.1	(16.0)	(12.6)	(28.6)
Net income (loss)		(4.2)	9.0	8.2	13.0	39.5	29.4	68.9

* *Represents aggregate of the successor period September 27, 2013 - October 27, 2013 and predecessor period of July 29, 2013 - September 26, 2013 as appears in Smithfield's Form 10-Q dated December 6, 2013.*

Consolidated Balance Sheet

		Successor At September 26, 2013[##]			
	Notes	Under Smithfield's accounting policies	Push-down accounting adjustment	Other adjustments total	Under the Company's accounting policies
		US$'million	*US$'million* *Note f*	*US$'million*	*US$'million*
ASSETS					
Current assets:					
Cash and cash equivalents		250.5	—	—	250.5
Accounts receivable, net		764.6	0.2	—	764.8
Inventories	a	2,506.9	(41.6)	(1,158.4)	1,306.9
Biological assets	a	—	—	1,184.2	1,184.2
Prepaid expenses and other current assets	g	215.0	(57.3)	(38.7)	119.0
Total current assets		3,737.0	(98.7)	(12.9)	3,625.4
Property, plant and equipment, net	a	2,726.5	(362.4)	(193.1)	2,171.0
Biological assets	a	—	—	196.3	196.3
Goodwill		1,622.5	(794.5)	—	828.0
Investments	c	495.5	47.8	6.7	550.0
Intangible assets, net		1,403.0	(1,013.9)	—	389.1
Other assets	b,g	171.2	(4.2)	(31.7)	135.3
Total assets		10,155.7	(2,225.9)	(34.7)	7,895.1
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt and capital lease obligations		239.1	—	—	239.1
Accounts payable		535.3	(30.6)	—	504.7
Accrued expenses and other current liabilities	g	577.0	(84.3)	18.4	511.1
Total current liabilities		1,351.4	(114.9)	18.4	1,254.9
Long-term debt and capital lease obligations	b	2,509.1	(84.9)	(31.7)	2,392.5
Net long-term pension liability		522.8	183.3	—	706.1
Deferred income taxes, net and other liabilities	a,c,e,g	821.2	(483.1)	(12.1)	326.0
Total liabilities		5,204.5	(499.6)	(25.4)	4,679.5
Redeemable noncontrolling interests	e	48.2	—	(48.2)	—
Total equity	a, c, d, g	4,903.0	(1,726.3)	38.9	3,215.6
Total liabilities and equity		10,155.7	(2,225.9)	(34.7)	7,895.1

[##] The consolidated balance sheet information as of September 26, 2013 under Smithfield's accounting policies was derived from the note 2 to the audited financial statements of Smithfield as it appears in Smithfield's Form 10-K filed with the U.S. Securities and Exchange Commission on March 20, 2014.

		Predecessor								
		At April 28, 2013			At April 29, 2012			At May 1, 2011		
	Notes	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies
		US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Assets										
Current assets:										
Cash and cash equivalents		310.6	—	310.6	324.3	—	324.3	374.7	—	374.7
Accounts receivable, net		663.2	—	663.2	624.7	—	624.7	709.6	—	709.6
Inventories	a	2,348.3	(1,110.0)	1,238.3	2,072.4	(963.2)	1,109.2	2,019.9	(967.6)	1,052.3
Biological assets	a	—	1,126.1	1,126.1	—	986.0	986.0	—	1,019.0	1,019.0
Prepaid expenses and other current assets	g	229.7	(19.9)	209.8	277.6	(57.4)	220.2	233.7	(39.3)	194.4
Total current assets		3,551.8	(3.8)	3,548.0	3,299.0	(34.6)	3,264.4	3,337.9	12.1	3,350.0
Property, plant and equipment, net	a	2,298.4	(183.7)	2,114.7	2,277.2	(179.0)	2,098.2	2,309.1	(155.6)	2,153.5
Biological assets	a	—	175.0	175.0	—	166.2	166.2	—	137.1	137.1
Goodwill		782.4	—	782.4	768.2	—	768.2	793.3	—	793.3
Investments	c	532.4	4.2	536.6	522.6	3.3	525.9	582.5	6.5	589.0
Intangible assets, net		390.4	—	390.4	381.8	—	381.8	386.6	—	386.6
Other assets	b, g	161.0	(35.1)	125.9	173.4	(29.2)	144.2	202.4	(37.1)	165.3
Total assets		7,716.4	(43.4)	7,673.0	7,422.2	(73.3)	7,348.9	7,611.8	(37.0)	7,574.8

		Predecessor								
		At April 28, 2013			At April 29, 2012			At May 1, 2011		
	Notes	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies
		US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Liabilities and equity										
Current liabilities:										
Current portion of long-term debt and capital lease obligations		676.1	—	676.1	63.5	—	63.5	143.7	—	143.7
Accounts payable		429.1	—	429.1	415.8	—	415.8	434.4	—	434.4
Accrued expenses and other current liabilities	g	641.0	19.9	660.9	657.0	19.0	676.0	649.8	36.5	686.3
Total current liabilities		1,746.2	19.9	1,766.1	1,136.3	19.0	1,155.3	1,227.9	36.5	1,264.4
Long-term debt and capital lease obligations	b	1,829.2	(35.1)	1,794.1	1,900.9	(33.4)	1,867.5	1,978.6	(36.3)	1,942.3
Net long-term pension liability		697.0	—	697.0	581.9	—	581.9	369.6	—	369.6
Deferred income taxes, net and other liabilities	a,c,e,g	333.6	(22.2)	311.4	413.1	(62.9)	350.2	487.1	(58.2)	428.9
Total liabilities		4,606.0	(37.4)	4,568.6	4,032.2	(77.3)	3,954.9	4,063.2	(58.0)	4,005.2
Redeemable noncontrolling interests	e	12.7	(12.7)	—	2.0	(2.0)	—	2.0	(2.0)	—
Equity:										
Shareholders' equity:										
Preferred stock		—	—	—	—	—	—	—	—	—
Common stock		69.5	—	69.5	78.7	—	78.7	83.0	—	83.0
Additional paid-in capital	g	1,389.9	3.1	1,393.0	1,561.0	2.6	1,563.6	1,638.7	—	1,638.7
Stock held in trust		(68.8)	—	(68.8)	(67.9)	—	(67.9)	(66.7)	—	(66.7)
Retained earnings	a,c,d,g	2,322.6	16.4	2,339.0	2,326.4	2.1	2,328.5	2,059.7	32.3	2,092.0
Accumulated other comprehensive loss	d	(616.2)	(12.8)	(629.0)	(510.9)	1.3	(509.6)	(169.2)	(9.3)	(178.5)
Total shareholders' equity		3,097.0	6.7	3,103.7	3,387.3	6.0	3,393.3	3,545.5	23.0	3,568.5
Noncontrolling interests		0.7	—	0.7	0.7	—	0.7	1.1	—	1.1
Total equity		3,097.7	6.7	3,104.4	3,388.0	6.0	3,394.0	3,546.6	23.0	3,569.6
Total liabilities and equity		7,716.4	(43.4)	7,673.0	7,422.2	(73.3)	7,348.9	7,611.8	(37.0)	7,574.8

Consolidated Statement of Income

		Predecessor Period ended September 26, 2013#		
		Under Smithfield's accounting policies	**Other adjustments**	**Under the Company's accounting policies**
		US$'million	*US$'million*	*US$'million*
Sales		5,679.5	—	5,679.5
Cost of sales	a	(5,190.1)	(66.6)	(5,256.7)
Gross profit		489.4	(66.6)	422.8
Gain arising from agricultural produce at fair value less cost to sell at the point of harvest	a	—	59.2	59.2
Gain arising from changes in fair value less cost to sell of biological assets	a	—	29.0	29.0
Selling, general and administrative expenses	d	(341.7)	9.7	(332.0)
Merger related costs		(18.0)	—	(18.0)
(Loss) income from equity method investments	c	(0.5)	2.3	1.8
Operating profit		129.2	33.6	162.8
Interest expense		(64.6)	—	(64.6)
Income before income taxes		64.6	33.6	98.2
Income tax expense	a,c,d,g	(12.7)	(9.4)	(22.1)
Net income		51.9	24.2	76.1

Represents the predecessor period of April 29, 2013 to September 26, 2013 as it appears in Smithfield's Form 10-K filed with the U.S. Securities and Exchange Commission on March 20, 2014.

		Predecessor								
		Year ended April 28, 2013			Year ended April 29, 2012			Year ended May 1, 2011		
	Notes	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies	Under Smithfield's accounting policies	Total adjustments	Under the Company's accounting policies
		US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Sales		13,221.1	—	13,221.1	13,094.3	—	13,094.3	12,202.7	—	12,202.7
Cost of sales	a	(11,901.4)	(10.0)	(11,911.4)	(11,544.9)	(32.9)	(11,577.8)	(10,488.6)	(126.2)	(10,614.8)
Gross profit		1,319.7	(10.0)	1,309.7	1,549.4	(32.9)	1,516.5	1,714.1	(126.2)	1,587.9
Gain arising from changes in fair value less cost to sell of biological assets	a	—	7.4	7.4	—	10.0	10.0	—	32.9	32.9
Selling, general and administrative expenses	d	(815.4)	21.0	(794.4)	(816.9)	(2.1)	(819.0)	(789.8)	15.3	(774.5)
Gain on fire insurance recovery		—	—	—	—	—	—	120.6	—	120.6
(Income) loss from equity method investments	c	15.0	1.0	16.0	(9.9)	(2.7)	(12.6)	50.1	2.1	52.2
Operating profit		519.3	19.4	538.7	722.6	(27.7)	694.9	1,095.0	(75.9)	1,019.1
Interest expense		(168.7)	—	(168.7)	(176.7)	—	(176.7)	(245.4)	—	(245.4)
Loss on extinguishment of debt		(120.7)	—	(120.7)	(12.2)	—	(12.2)	(92.5)	—	(92.5)
Income before income taxes		229.9	19.4	249.3	533.7	(27.7)	506.0	757.1	(75.9)	681.2
Income tax expense	a,c,d,g	(46.1)	(6.4)	(52.5)	(172.4)	7.6	(164.8)	(236.1)	30.8	(205.3)
Net income		183.8	13.0	196.8	361.3	(20.1)	341.2	521.0	(45.1)	475.9

Notes:

(a) **Biological assets**

Under the Company's accounting policies, biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell, except for the case where the fair value cannot be measured reliably. Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to profit or loss for the period in which the gain or loss arises. Under Smithfield's accounting policies, Smithfield classifies breeding stock as property, plant, and equipment (measured at historical cost less accumulated depreciation), and classifies livestock as inventories (valued at the lower of first-in, first-out cost or market).

Had Smithfield adopted the accounting policies of the Company, the impact on total assets, total equity and net income for the Historical Track Record Period would have been as follows:

	As of and for the three months ended October 27, 2013	As of and for the period ended September 26, 2013	As of and for the three months ended July 28, 2013	As of and for the year ended April 28, 2013	As of and for the year ended April 29, 2012	As of and for the year ended May 1, 2011
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Biological assets						
Impact on total assets - increase	51.9	29.0	41.4	7.4	10.0	32.9
Impact on total equity - increase*	31.9	23.6	25.4	4.5	6.1	20.2
Impact on net income — gain (loss)*	6.4#	13.3#	20.9#	(1.6)#	(14.1)#	(57.3)#

* Included related tax impact.

\# Changes arising from agricultural produce at fair value less costs to sell at the point of harvest has not been considered.

(b) **Deferred debt issuance costs**

Under the Company's accounting policies, debt issuance costs that are directly attributable to the issuance of debts are presented in the statement of financial position as reductions of the debt balance. Under Smithfield's accounting policies, such costs are recorded as assets in the statement of financial position.

Had Smithfield adopted the accounting policies of the Company, the impact on total assets and total liabilities for the Historical Track Record Period would have been as follows:

	October 27, 2013	September 26, 2013	July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Deferred debt issuance costs						
Impact on total assets - decrease	(20.4)	(31.7)	(33.0)	(35.1)	(33.4)	(36.3)
Impact on total liabilities - decrease	(20.4)	(31.7)	(33.0)	(35.1)	(33.4)	(36.3)

(c) **Investment in an associate**

As part of the reconciliation, Smithfield adjusted the carrying amounts related to its investment in an associate, Campofrio Food Group, S.A., to align with the Company's accounting policies. The adjustments principally relate to interest costs capitalisation on inventories, provisions for restructuring costs, impairment of assets other than goodwill and the tax effect of all the adjustments. Details for the adjustments are as follows:

— Interest costs capitalisation on inventories

Under the Company's accounting policies, borrowing costs directly attributable to the production of qualifying assets, which are inventories that necessarily take a substantial period of time to get ready for sale, are added to the cost of the inventories until such time as the inventories are substantially ready for sale. Under Smithfield's accounting policies, interest cannot be capitalised for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis.

— Provisions for restructuring costs

Under the Company's accounting policies, a provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan with the costs of the exit plan recognised as a whole. Under Smithfield's accounting policies, a provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan, however each type of cost of the exit plan is examined individually to determine whether it should be accrued. Therefore, the timing of the recognition of restructuring costs under the Company's accounting policies may differ from that under Smithfield's accounting policies.

— Impairment of assets other than goodwill

Under Smithfield's accounting policies, entities are required to use a two-step approach to measure impairment. In step 1, entities perform a recoverability test by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is required, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value. Fair value should be calculated as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under the Company's accounting policies, the impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount. The recoverable amount is the higher of an asset's (1) fair value less costs to sell and (2) value in use. "Fair value less costs to sell" is defined as "the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal". When entities calculate value in use, they discount the expected future cash flows to be generated by the asset to their net present value.

Under Smithfield's accounting policies, if the recoverability test in step 1 is passed, impairment is not recorded even if the fair value of the asset is less than its carrying amount. Accordingly, an impairment loss may be recorded under the Company's accounting policies but may not be recorded under Smithfield's accounting policies under the same set of circumstances. When an impairment loss is recorded under both Smithfield's accounting policies and the Company's accounting policies, the amount of the impairment loss may not be the same under Smithfield's accounting policies and the Company's accounting policies because the fair value (under Smithfield's accounting policies) and recoverable amount (under the Company's accounting policies) may differ.

Under Smithfield's accounting policies, the reversal of an impairment loss for assets is prohibited. However, under the Company's accounting policies, an impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Had Smithfield adopted the accounting policies of the Company, the impact on total assets, total equity and net income for the Historical Track Record Period would have been as follows:

	As of and for the three months ended October 27, 2013	As of and for the period ended September 26, 2013	As of and for the three months ended July 28, 2013	As of and for the year ended April 28, 2013	As of and for the year ended April 29, 2012	As of and for the year ended May 1, 2011
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Investment in an associate						
Impact on total assets - increase	6.7	6.7	6.5	4.2	3.3	6.5
Impact on total equity - increase*	4.2	4.2	4.1	2.7	2.1	4.1
Impact on net income — (loss) gain*	(0.1)	1.4	1.5	0.6	(1.7)	1.3

* Included related tax impact.

(d) **Pensions and other retirement benefit plans**

Under the Company's accounting policies, past service cost is recognised immediately in profit or loss, regardless if it relates to vested or unvested benefits. Past service costs is the change in the present value of the defined benefit obligation for employee service in prior period, resulting from a plan amendment or curtailment. Under Smithfield's accounting policies, prior service cost is initially recognised in other comprehensive income and then amortised into income over the plan participants' remaining service periods (or life expectancy if all, or almost all, the participants are inactive). Prior service costs generally result when an entity makes changes to benefit plans that either increase or reduce benefits related to services rendered in prior periods.

Under the Company's accounting policies, actuarial gains and losses are recognised immediately in other comprehensive income, with no recycling to profit or loss in future periods. Under Smithfield's accounting policies, actuarial gains and losses are initially recognised in other comprehensive income and the cumulative balance is amortised in profit or loss in the future.

Under Smithfield's accounting policies the net benefit costs include, inter alia, the periodical interest, based on the discount rate for the respective period, and the return on plan assets, based on the expected rate of return in the respective period. Under the Company's accounting policies, interest income on plan assets is used instead of the expected rate of return on assets and is included in the net interest on the net defined benefit liability.

(e) **Redeemable noncontrolling interest**

The noncontrolling interest holders have the right to exercise a put option, which would obligate Smithfield to redeem their interests. Smithfield has a call option to purchase the noncontrolling interests for the same price during an identical period. Under the Company's accounting policies, noncontrolling interests subject to put and call options are classified as liabilities. Under Smithfield's accounting policies, noncontrolling interests subject to put options are classified in a mezzanine account between liabilities and shareholders' equity.

(f) **Push-down accounting**

Under the Company's accounting policies, push-down accounting, whereby fair value adjustments in relation to the acquisition of Smithfield by the Company are recognised in the financial statements of the acquiree, is not permitted. Under Smithfield's accounting policies, the Company's basis of accounting for acquiring Smithfield has been pushed-down to establish a new accounting basis for Smithfield.

(g) **Deferred income taxes and certain tax liabilities**

Under the Company's accounting policies, deferred tax on share-based payments is computed on the basis of the expected tax deduction under applicable tax law. The tax benefit of the tax deduction in excess of the compensation cost recognised is recorded as a credit to equity for equity-classified awards as it is deemed to relate to an equity item. The tax benefit of the shortfall between the tax deduction and the compensation cost recognised is reversed to profit or loss or equity, or both, as appropriate, depending on how the deferred tax benefit was originally recorded.

Under Smithfield's accounting policies, deferred tax on share-based payments is computed on the basis of the expense recognised in the income statement and trued up or down when the tax benefit or deficit is realised. The tax benefit of the tax deduction in excess of the compensation cost recognised (i.e., the excess tax benefit) is recorded as a credit to equity for equity-classified awards. The tax benefit of the shortfall between the tax deduction and the compensation cost recognised (i.e., tax benefit deficiency) for equity-classified awards is recorded as a debit to equity to the extent that prior excess tax benefits exist. In the absence of prior excess tax benefits, the tax benefit shortfall is recorded as income tax expense.

Under Smithfield's accounting policies deferred taxes are classified as either current or non-current based on the classification of the related assets or liabilities. Under the Company's accounting policies all deferred tax are presented as non-current. Upon reclassification of current balances to non-current certain amounts are subject to offsetting requirements to the extent these amounts meet the offsetting criteria (i.e., same taxable entity, same tax authority, etc.).

Under Simthfield's accounting polices, certain tax liabilities are classified as non-current as the payment of cash is not anticipated to be within one year or the operating cycle, if longer. Under the Company's accounting polices, such tax liabilities are classified as current when there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Deferred tax is also recognised for temporary differences resulting from accounting policies differences described as per notes (a) to (f) above. In addition, the pensions and other retirement benefit plans related adjustments resulted in reclassification of the related tax effect between net income and other comprehensive income.

Had Smithfield adopted the accounting policies of the Company, the impact on total assets, total liabilities, total equity and net income for the Historical Track Record Period would have been as follows:

	As of and for the three months ended October 27, 2013	**As of and for the period ended September 26, 2013**	**As of and for the three months ended July 28, 2013**	**As of and for the year ended April 28, 2013**	**As of and for the year ended April 29, 2012**	**As of and for the year ended May 1, 2011**
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Deferred income tax impact of stock based compensation						
Impact on total assets - increase (decrease)	—	11.1	9.8	(0.5)	(2.2)	(1.3)
Impact on total equity - increase (decrease)	—	11.1	9.8	(0.5)	(2.2)	(1.3)
Impact on net income - gain (loss)	—	3.6	3.6	1.2	(3.0)	1.6
Deferred income tax classification						
Impact on total assets - decrease	(25.6)	(49.8)	(28.2)	(19.4)	(51.0)	(38.8)
Impact on total liabilities - decrease	(25.6)	(49.8)	(28.2)	(19.4)	(51.0)	(38.8)
Deferred income tax impacts on biological assets						
Impact on total liabilities - increase	20.0	5.4	16.0	2.9	3.9	12.7
Impact on net income - (loss) gain	(4.0)	(8.3)	(13.1)	1.0	8.8	36.0
Deferred income tax impacts on investment in an associate						
Impact on total liabilities - increase	2.5	2.5	2.4	1.5	1.2	2.4
Impact on net income - (loss) gain	(0.1)	(0.9)	(0.9)	(0.3)	1.2	(0.8)

(C) SUPPLEMENTAL FINANCIAL INFORMATION OF SMITHFIELD

The Company sets out the following supplemental financial information of Smithfield, which was not included in Smithfield's Audited Consolidated Financial Statements showing the financial information for the three financial years ended May 1, 2011, April 29, 2012 and April 28, 2013 and for the five-month period ended September 26, 2013, nor was it included in Smithfield's unaudited consolidated financial statements for the quarterly periods ended July 28, 2013 and October 27, 2013.

1. Accounting Policies

The accounting policies Smithfield follows are described in Note 1 of the Audited Consolidated Financial Statements for each of the three years in the period ended May 1, 2011, April 29, 2012 and April 28, 2013 and the eight-month period ended December 29, 2013 included within this Prospectus. There have been no changes to Smithfield's accounting policies since December 29, 2013. The information set out in this supplemental financial information has been prepared in accordance with Smithfield's accounting policies as set out in the December 2013 Audited Consolidated Financial Statements.

Detailed Disclosure for Investments in Joint Arrangements

In review of Smithfield's existing accounting policies in relation to Joint Arrangements and to the Company's accounting policies as set out in the May 2011, April 2012, April 2013 and December 2013 Audited Consolidated Financial Statements, no transactions have been identified that would be materially affected by the Company's early adoption of IFRS10, IFRS11, IFRS12, IAS27 (revised) and IAS28 (revised).

2. Critical Accounting Estimates

Critical accounting estimates that apply to each of the three years in the period ended May 1, 2011, April 29, 2012 and April 28, 2013 and for the eight-month period ended December 29, 2013 are set out in May 2011, April 2012, April 2013 and December 2013 Audited Consolidated Financial Statements included within this Prospectus. The critical accounting estimates that apply to the quarterly periods ended July 28, 2013 and October 27, 2013 are consistent with those set out within Note 1 of Smithfield's April 2013 Audited Consolidated Financial Statements.

3. **Loans and Borrowings**

(a) **Long-Term Debt Maturities**

The maturities on the loans and borrowings of Smithfield are as follows:

(US$' millions)	As at October 27, 2013	As at September 26, 2013	As at July 28, 2013	As at April 28, 2013	As at April 29, 2012	As at May 1, 2011
Carrying amount repayable:						
Within one year	62.0	238.1	209.9	675.1	62.5	143.2
After one year but within two years	68.3	86.9	113.2	70.6	553.2	111.9
After two years but within five years	1,860.9	1,316.8	1,157.1	563.0	821.6	1,331.8
After five years	1,421.7	995.5	995.3	1,170.4	500.0	507.8
Total Debt	3,412.9	2,637.3	2,475.5	2,479.1	1,937.3	2,094.7
Less: Amounts shown under current liabilities	(62.0)	(238.1)	(209.9)	(675.1)	(62.5)	(143.2)
Total	3,350.9	2,399.2	2,265.6	1,804.0	1,874.8	1,951.5
Analysed as:						
Secured	733.9	741.4	579.7	132.4	703.4	803.2
Unsecured	2,679.0	1,895.9	1,895.8	2,346.7	1,233.9	1,291.5
	3,412.9	2,637.3	2,475.5	2,479.1	1,937.3	2,094.7

(b) **Finance Expenses**

(US$' million)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the annual/quarterly period ended July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Interest on:						
Bank loans and overdrafts						
- wholly repayable within five years	8.4	9.0	7.8	12.7	22.8	32.3
- not wholly repayable within five years	—	—	—	8.4	—	9.5
Finance leases	—	0.1	0.1	0.2	0.2	0.2
Other borrowings	45.5	55.5	33.9	147.4	153.7	203.4
Total	53.9	64.6	41.8	168.7	176.7	245.4

4. **Aging Analysis of Trade and Bills Receivables**

(US$' million)	As at October 27, 2013	As at September 26, 2013	As at July 28, 2013	As at April 28, 2013	As at April 29, 2012	As at May 1, 2011
0-30 days	772.5	719.1	724.0	639.8	582.9	684.2
31-90 days	35.7	34.0	43.9	23.4	41.8	25.4
91-180 days	—	11.5	—	—	—	—
	808.2	764.6	767.9	663.2	624.7	709.6

Receivable terms are typically up to 14 days.

5. Aging Analysis of Trade and Bills Payables

(US$' million)	As at October 27, 2013	As at September 26, 2013	As at July 28, 2013	As at April 28, 2013	As at April 29, 2012	As at May 1, 2011
0-30 days	483.3	465.6	443.7	403.6	390.7	408.4
31-90 days	29.0	31.1	19.5	19.6	20.8	20.9
91-180 days	2.6	3.2	2.2	2.4	2.0	1.8
Over 180 days	3.8	4.8	3.5	3.5	2.3	3.3
	518.7	504.7	468.9	429.1	415.8	434.4

All the trade payables amounts are for goods and services provided to Smithfield prior to the end of the financial period which are unpaid. As at October 27, 2013, September 26, 2013, July 28, 2013, April 28, 2013, April 29, 2012 and May 1, 2011, substantially all the trade payables were aged within 30 days. The trade payables are non-interest bearing and are normally settled within 30 days.

6. Concentration of Customers and Suppliers

(a) Concentration of Suppliers, Gross Purchases

Smithfield's five largest suppliers represent less than 10% of total purchases combined.

(b) Concentration of Customers, Gross Sales

(% of total sales)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the year in period/quarterly period ended July 28, 2013	April 28 , 2013	April 29, 2012	May 1, 2011
Largest customer	9%	8%	9%	9%	8%	8%
Five largest customers, combined	24%	20%	25%	24%	22%	23%

None of Smithfield's directors had any interest in the five largest customers during the period from April 29, 2013 to September 26, 2013 (Predecessor), the quarterly periods ended October 27, 2013 and July 28, 2013, and the three years in period ended April 28, 2013, April 29, 2012 and May 1, 2011.

7. **Directors' Remuneration**

Smithfield provides all directors with a competitive compensation package that includes annual retainers and meeting fees, benefits and equity-based awards in the form of deferred share units (DSUs). Smithfield's Board of Directors review director compensation at least once every two years to ensure it is appropriate and competitive. Smithfield did not at any time during the period from April 29, 2013 to September 26, 2013 (Predecessor), the quarterly periods ended October 27, 2013 and July 28, 2013, and the three years in period ended April 28, 2013, April 29, 2012 and May 1, 2011 waive any directors' remuneration.

	For the quarterly period ended October 27, 2013						
(US$' 000)	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation(1)	Total
Executive							
Joseph W. Luter, III	82	—	82	—	—	4	168
C. Larry Pope	—	275	—	2,165	—	54	2,494
Wendell H. Murphy, Sr.	14	—	—	—	—	—	14
Frank S. Royal, M.D.	17	—	—	—	—	—	17
Non-executive							
Hon. Carol T. Crawford	14	—	—	—	—	—	14
Richard T. Crowder	14	—	—	—	—	—	14
Margaret G. Lewis	16	—	—	—	—	—	16
David C. Nelson	18	—	—	—	—	—	18
John T. Schwieters	19	—	—	—	—	—	19
Hon. Paul S. Trible, Jr.	16	—	—	—	—	—	16
Melvin O. Wright(2)	14	—	—	—	—	—	14
	224	275	82	2,165	—	58	2,804

(1) Perquisites and annual cash incentives.

(2) Director Emeritus.

	For the period from April 29, 2013 to September 26, 2013 (Predecessor)						
(US$' 000)	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation[1]	Total
Executive							
Joseph W. Luter, III	207	—	207	—	—	10	424
C. Larry Pope	—	458	—	987	—	5,377	6,822
Wendell H. Murphy, Sr.	41	—	—	—	—	—	41
Frank S. Royal, M.D.	52	—	—	—	—	—	52
Non-executive							
Hon. Carol T. Crawford	49	—	—	—	—	—	49
Richard T. Crowder	43	—	—	—	—	—	43
Margaret G. Lewis	45	—	—	—	—	—	45
David C. Nelson	59	—	—	—	—	—	59
John T. Schwieters	54	—	—	—	—	—	54
Hon. Paul S. Trible, Jr.	51	—	—	—	—	—	51
Melvin O. Wright[2]	43	—	—	—	—	—	43
	644	458	207	987	—	5,387	7,683

(1) Stock awards, annual cash incentives and perquisites.

(2) Director Emeritus.

(US$' 000)	For the quarterly period ended July 28, 2013						
	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation[1]	Total
Executive							
Joseph W. Luter, III	125	—	125	—	—	6	256
C. Larry Pope	—	275	—	592	—	5,164	6,031
Wendell H. Murphy, Sr.	27	—	—	—	—	—	27
Frank S. Royal, M.D.	35	—	—	—	—	—	35
Non-executive							
Hon. Carol T. Crawford	35	—	—	—	—	—	35
Richard T. Crowder	29	—	—	—	—	—	29
Margaret G. Lewis	29	—	—	—	—	—	29
David C. Nelson	41	—	—	—	—	—	41
John T. Schwieters	35	—	—	—	—	—	35
Hon. Paul S. Trible, Jr.	35	—	—	—	—	—	35
Melvin O. Wright[2]	29	—	—	—	—	—	29
	420	275	125	592	—	5,170	6,582

(1) Stock awards, annual cash incentives and perquisites.

(2) Director Emeritus.

	For the year in period ended April 28, 2013						
(US$' 000)	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation[1]	Total
Executive							
Joseph W. Luter, III	500	—	500	—	—	24	1,024
C. Larry Pope	—	1,100	—	2,201	—	7,477	10,778
Wendell H. Murphy, Sr.	107	—	105	—	—	—	212
Frank S. Royal, M.D.	170	—	105	—	—	—	275
Non-executive							
Hon. Carol T. Crawford	127	—	105	—	—	—	232
Richard T. Crowder	111	—	105	—	—	—	216
Margaret G. Lewis	113	—	105	—	—	—	218
David C. Nelson	117	—	105	—	—	—	222
John T. Schwieters	140	—	105	—	—	—	245
Hon. Paul S. Trible, Jr.	133	—	105	—	—	—	238
Robert L. Burrus, Jr.[2]	37	—	—	—	—	—	37
Melvin O. Wright[2]	97	—	—	—	—	—	97
Ray A. Goldberg[2]	37	—	—	—	—	—	37
	1,689	1,100	1,340	2,201	—	7,501	13,831

(1) Stock awards, annual cash incentives and perquisites.

(2) Director Emeritus.

	For the year in period ended April 29, 2012						
(US$' 000)	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation[(1)]	Total
Executive							
Joseph W. Luter, III	500	—	500	—	—	28	1,028
C. Larry Pope	—	1,100	985	3,314	—	11,119	16,518
Wendell H. Murphy, Sr.	87	—	75	—	—	—	162
Frank S. Royal, M.D.	158	—	75	—	—	—	233
Non-executive							
Hon. Carol T. Crawford	125	—	75	—	—	—	200
Richard T. Crowder	87	—	75	—	—	—	162
Margaret G. Lewis	87	—	75	—	—	—	162
David C. Nelson	115	—	75	—	—	—	190
John T. Schwieters	136	—	75	—	—	—	211
Hon. Paul S. Trible, Jr.	105	—	75	—	—	—	180
Robert L. Burrus, Jr.[(2)]	85	—	—	—	—	—	85
Melvin O. Wright[(3)]	124	—	75	—	—	—	199
Ray A. Goldberg[(2)]	91	—	—	—	—	—	91
	1,700	1,100	2,160	3,314	—	11,147	19,421

(1) Stock awards, annual cash incentives and perquisites.

(2) Director Emeritus.

(3) Mr. Wright received US$120 of fees as a director and US$4 of fees as Director Emeritus.

(US$' 000)	For the year in period ended May 1, 2011						
	Fees	Salaries	DSU Awards	Pensions	Compensation for loss of office	All other compensation[1]	Total
Executive							
Joseph W. Luter, III	355	—	336	—	—	373	1,064
C. Larry Pope	—	1,350	—	1,493	—	17,385	20,228
Wendell H. Murphy, Sr.	91	—	75	—	—	—	166
Frank S. Royal, M.D.	152	—	75	—	—	—	227
Non-executive							
Hon. Carol T. Crawford	113	—	75	—	—	—	188
Richard T. Crowder	17	—	—	—	—	—	17
Margaret G. Lewis	17	—	—	—	—	—	17
David C. Nelson	91	—	75	—	—	—	166
John T. Schwieters	144	—	75	—	—	—	219
Hon. Paul S. Trible, Jr.	111	—	75	—	—	—	186
Robert L. Burrus, Jr.	87	—	75	—	—	—	162
Melvin O. Wright	139	—	75	—	—	—	214
Ray A. Goldberg[2]	90	—	—	—	—	—	90
Past director							
Gaoning Ning[3]	70	—	75	—	—	—	145
	1,477	1,350	1,011	1,493	—	17,758	23,089

(1) Stock awards, cash incentives, perquisites and consulting arrangement.

(2) Dr. Goldberg received US$30 of fees as a director and US$60 of fees as Director Emeritus.

(3) Mr. Ning resigned effective March 2, 2011.

The following table discloses movements in the Smithfield's share options held by directors during the period from April 29, 2013 to September 26, 2013 (Predecessor), the quarterly periods ended October 27, 2013 and July 28, 2013, and the three years in period ended April 28, 2013, April 29, 2012 and May 1, 2011:

(Number of share options)	As at May 3, 2010	Granted during the period	As at May 1, 2011	Granted during the period	Exercised during the period	As at April 29, 2012, April 28, 2013 and July 28, 2013	Exercised during the period	As at September 26, 2013 and October 27, 2013
C. Larry Pope	610,000	100,000	710,000	100,000	(190,000)	620,000	(620,000)	—

8. **Five highest paid individuals**

Total compensation payable to the five highest paid employees at Smithfield is as follows:

(US$' 000)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the annual/quarterly period ended July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Salaries and other benefits	994	1,684	1,021	4,335	4,020	4,700
Annual cash incentives	319	2,177	1,686	9,763	12,866	23,083
Long-term incentives	—	8,296	8,296	9,367	17,101	7,425
Pension value	9,344	4,122	2,473	9,622	12,080	4,155
Others	169	281	175	700	767	410
	10,826	16,560	13,651	33,787	46,834	39,773

The compensation fell within the following bands:

(Number of individuals)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the annual/quarterly period ended July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
HK$6,000,000 to HK$6,500,000	1	—	—	—	—	—
HK$6,500,000 to HK$7,000,000	—	—	1	—	—	—
HK$8,000,000 to HK$8,500,000	1	—	—	—	—	—
HK$8,500,000 to HK$9,000,000	1	—	—	—	—	—
HK$10,000,000 to HK$10,500,000	—	1	1	—	—	—
HK$13,500,000 to HK$14,000,000	—	1	—	—	—	—
HK$17,000,000 to HK$17,500,000	—	—	1	—	—	—
HK$19,000,000 to HK$19,500,000	1	—	—	—	—	—
HK$21,000,000 to HK$21,500,000	—	—	—	—	—	1
HK$22,500,000 to HK$23,000,000	—	1	—	—	—	—
HK$24,500,000 to HK$25,000,000	—	—	1	—	—	—
HK$28,500,000 to HK$29,000,000	—	1	—	—	—	—
HK$29,000,000 to HK$29,500,000	—	—	—	—	—	1
HK$31,000,000 to HK$31,500,000	—	—	—	1	—	—
HK$33,000,000 to HK$33,500,000	—	—	—	1	—	—
HK$41,000,000 to HK$41,500,000	1	—	—	—	1	—
HK$42,500,000 to HK$43,000,000	—	—	—	—	1	—
HK$45,500,000 to HK$46,000,000	—	—	—	—	—	1
HK$47,000,000 to HK$47,500,000	—	—	1	1	—	—
HK$53,000,000 to HK$53,500,000	—	1	—	—	—	—
HK$63,500,000 to HK$64,000,000	—	—	—	—	1	—
HK$66,500,000 to HK$67,000,000	—	—	—	—	—	1
HK$67,500,000 to HK$68,000,000	—	—	—	1	—	—
HK$84,000,000 to HK$84,500,000	—	—	—	1	—	—
HK$88,500,000 to HK$89,000,000	—	—	—	—	1	—
HK$128,500,000 to HK$129,000,000	—	—	—	—	1	—
HK$157,500,000 to HK$158,000,000	—	—	—	—	—	1
	5	5	5	5	5	5

For the purpose of the table above, United States dollar amounts have been translated to Hong Kong dollars at the rate of exchange prevailing at close of business on October 27, 2013 (US$1 = HK$7.80).

The five individuals whose compensation was the highest at Smithfield are analysed as follows:

(Number of individuals)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the annual/quarterly period ended July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Smithfield directors	1	1	1	1	1	1
Other individuals	4	4	4	4	4	4
	5	5	5	5	5	5

9. **Profit Before Taxation**

(US$' million)	For the quarterly period ended October 27, 2013	For the period from April 29, 2013 to September 26, 2013 (Predecessor)	For the year in period/quarterly period ended July 28, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Profit before taxation have been arrived at after charging (crediting):						
Directors' fees	0.2	0.6	0.4	1.7	1.7	1.5
Directors' other emoluments	2.6	7.0	6.2	12.1	17.7	21.6
Staff salaries and related costs excluding pension costs	537.5	866.6	514.7	2,059.4	2,013.3	2,011.7
Pension costs in respect of						
Defined contribution plans	4.3	8.3	5.3	15.0	13.9	13.9
Defined benefit plans	21.8	42.1	27.0	96.1	57.2	82.0
Auditors' remuneration						
- audit services	—	1.1	1.1	4.4	4.4	3.7
- non-audit services	0.6	1.4	1.0	2.3	2.8	2.0
Impairment loss in respect of property, plant and equipment	1.3	1.1	0.2	4.2	2.9	9.2
Government grants or subsidies	0.3	0.4	0.2	9.4	4.4	4.1

10. **Property**

(US$' million)	As at October 27, 2013	As at September 26, 2013	As at July 28, 2013	As at April 28, 2013	As at April 29, 2012	As at May 1, 2011
The carrying value of land comprises:						
Freehold	499.9	149.8	149.0	148.6	149.0	157.3

The information set forth in this appendix does not form part of the Accountants' Report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix IA to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix IA to this prospectus.

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out here to provide prospective investors with further financial information on (i) how the Global Offering might have affected the financial position of the Group after completion of the Global Offering; and (ii) how the acquisition of Smithfield which took place on September 26, 2013 might have affected the performance of the Group as if the acquisition had taken place on January 1, 2013.

The accompanying unaudited pro forma financial information of the Group including Smithfield is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group including Smithfield has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results and the actual financial position of the Group that would have been attained had the Global Offering and the acquisition taken effect at the date indicated herein.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2013 or at any future dates following the Global Offering. It is prepared based on the audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013 as set out in the Accountants' Report in Appendix IA to this prospectus, and adjusted as described below.

	Audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share[(3)]	
	US$' million	*US$' million*	*US$' million*	*US$*	*HK$[(4)]*
Based on the Offer Price of HK$8.00 per Share	(1,239)	2,948	1,709	0.12	0.93
Based on the Offer Price of HK$11.25 per Share	(1,239)	4,154	2,915	0.20	1.55

Notes:

(1) The audited consolidated total tangible assets less total liabilities of the Group attributable to owners of the Company as at December 31, 2013 is based on the consolidated net assets of the Group of US$3,138 million adjusted for goodwill of US$1,835 million, intangible assets of US$1,679 million of the Group, and non-controlling interests of US$863 million as extracted from the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 2,923,980,000 Shares at the Offer Price of HK$8.00 and of HK$11.25, being the low-end or the high-end of the stated offer price range, per Offer Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme, or any Shares which may be repurchased by the Company pursuant to the general mandates granted to our Directors. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into United States dollars at an exchange rate of HK$7.7589 to US$1.00, which was the rate prevailing on March 21, 2014. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis of a total of 14,619,891,111 Shares taking consideration of the effect of 11,695,911,111 outstanding Shares at December 31, 2013 and 2,923,980,000 Shares to be issued under the Global Offering. It does not take into account of any Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme, or any Shares which may be repurchased by the Company pursuant to the general mandates granted to our Directors.

(4) No adjustment has been made to the audited consolidated total tangible assets less total liabilities of the Group attributable to the owners of the Company as at December 31, 2013 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2013.

(B) UNAUDITED PRO FORMA COMBINED STATEMENT OF PROFIT OR LOSS

As set out in the section "History, Development and Corporate Structure" to the Prospectus, on September 26, 2013 the Group acquired 100% equity interest in Smithfield.

Set out below is the Unaudited Pro Forma Combined Financial Information of the Group including Smithfield (the "Combined Group"), representing the unaudited pro forma combined statement of profit or loss for the year ended December 31, 2013, which gives effect to the acquisition as if the acquisition had been completed on January 1, 2013 (the "Unaudited Pro Forma Combined Financial Information").

The Unaudited Pro Forma Combined Financial Information for the year ended December 31, 2013 is prepared based on the audited financial information of the Group for the year ended December 31, 2013 as set out in Appendix IA to this prospectus and the unaudited financial information of Smithfield for the period from January 1, 2013 to September 25, 2013 which was prepared in accordance with the accounting policies which conform with International Financial Reporting Standards and after having incorporated the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Combined Financial information of the Combined Group is based on a number of assumptions, estimates, uncertainties, and currently available information. As a result of these assumptions, estimates and uncertainties, the Unaudited Pro Forma Combined Financial Information of the Combined Group has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results of the Group that would have been attained had the acquisition been completed on January 1, 2013. Further, the Unaudited Pro Forma Combined Financial Information of the Combined Group does not purport to predict the Combined Group's future financial results.

Unaudited Pro Forma Combined Statement of Profit or Loss

For the year ended December 31, 2013

	Results before biological fair value adjustments				Biological fair value adjustments				Total				
		Pro forma adjustments				Pro forma adjustments				Pro forma adjustments			
	The Group	Smithfield Note (a)	Other adjustments	Pro forma Combined Group	The Group	Smithfield Note (a)	Other adjustments	Pro forma Combined Group	The Group	Smithfield Note (a)	Other adjustments	Notes	Pro forma Combined Group
	US$' million	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*	*US$' million*		*US$' million*
Turnover	11,253	10,002	(71)	21,184	—	—	—	—	11,253	10,002	(71)	(b)	21,184
Cost of sales	(9,457)	(8,585)	90	(17,952)	(23)	(53)	—	(76)	(9,480)	(8,638)	90	(b, c)	(18,028)
Gross profit	1,796	1,417	19	3,232	(23)	(53)	—	(76)	1,773	1,364	19		3,156
Distribution and selling expenses	(539)	(797)	—	(1,336)	—	—	—	—	(539)	(797)	—		(1,336)
Administrative expenses	(335)	(366)	(4)	(705)	—	—	—	—	(335)	(366)	(4)	(c)	(705)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest	—	—	—	—	17	107	—	124	17	107	—		124
Gain arising from changes in fair value less costs to sell of biological assets	—	—	—	—	47	29	—	76	47	29	—		76
Other income (expenses)	(703)	(18)	—	(721)	—	—	—	—	(703)	(18)	—		(721)
Other gains and losses	19	—	—	19	—	—	—	—	19	—	—		19
Finance costs	(120)	(121)	(135)	(376)	—	—	—	—	(120)	(121)	(135)	(d)	(376)
Share of profits of associates	6	2	—	8	—	—	—	—	6	2	—		8
Share of profits of joint ventures	(3)	3	—	—	—	—	—	—	(3)	3	—		—
Profit before taxation	121	120	(120)	121	41	83	—	124	162	203	(120)		245
Taxation	(214)	(19)	(3)	(236)	(15)	(28)	—	(43)	(229)	(47)	(3)	(e)	(279)
Profit (loss) for the year	(93)	101	(123)	(115)	26	55	—	81	(67)	156	(123)		(34)
Profit (loss) of the year attributable to													
- owners of the Company	(289)	101	(123)	(311)	26	55	—	81	(263)	156	(123)		(230)
- non-controlling interests	196	—	—	196	—	—	—	—	196	—	—		196
	(93)	101	(123)	(115)	26	55	—	81	(67)	156	(123)		(34)

Notes to the pro forma adjustments:

(a) The statement of profit or loss of Smithfield for the period from January 1, 2013 to September 25, 2013 is prepared by the management of Smithfield in accordance with the accounting policies adopted by the Group.

(b) The adjustment reflects the elimination of sales and purchases transactions between Smithfield and the Group for the period from January 1, 2013 to September 25, 2013.

(c) The adjustment reflects the change in depreciation of property, plant and equipment and amortisation of intangible assets of Smithfield arising from the relevant fair value adjustments upon acquisition for the period from January 1, 2013 to September 25, 2013, assuming the acquisition had been completed on January 1, 2013.

(d) The adjustment reflects the impact on finance costs arising from the fair value adjustments of Smithfield's borrowings as at September 26, 2013 due to the acquisition and the relevant financing solely for the purpose of the acquisition for the period from January 1, 2013 to September 25, 2013, assuming the acquisition had been completed on January 1, 2013.

(e) The adjustment reflects the tax impact of the pro forma adjustments described in notes (a) to (d) above.

Note to the exclusion of transaction cost:

If the one-off expenses and share-based payments directly attributable to the acquisition of Smithfield incurred by the Group totalling US$729 million were to be excluded, the loss for the year of the pro forma Combined Group of US$34 million would become a profit for the year of US$695 million.

(C) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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35/F One Pacific Place
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Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WH GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of WH Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at December 31, 2013 and the pro forma combined statement of profit or loss for the year ended December 31, 2013 and related notes, as set out on pages II-1 to II-5 of Appendix II to the prospectus issued by the Company dated April 15, 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-5 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the global offering on the Group's financial position as at December 31, 2013 as if the event had taken place at December 31, 2013 and (ii) the acquisition of Smithfield Foods, Inc. might have affected the Group's financial results for the year ended December 31, 2013 as if the acquisition had been completed on January 1, 2013. As part of this process, information about the Group's financial position and financial results has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2013, on which an accountants' report set out in Appendix IA to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2013 or January 1, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, April 15, 2014

1 **Memorandum of Association**

The Memorandum of Association was conditionally adopted on April 4, 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed in the section headed "Documents Delivered to the Registrar of Companies and Available For Inspection" in Appendix V to this prospectus.

2 **Articles of Association**

The Articles of Association were conditionally adopted on April 4, 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 ***Classes of Shares***

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is US$5,000,000 divided into 50,000,000,000 ordinary shares of US$0.0001 each.

2.2 ***Directors***

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided

that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by

ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed

for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 ***Alteration of capital***

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 ***Special resolution — majority required***

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 ***Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 ***Annual general meetings***

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 ***Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 ***Notice of meetings and business to be conducted thereat***

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 ***Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 ***Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 ***Dividends and other methods of distribution***

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a

resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 ***Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 ***Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 ***Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 ***Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator

may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 ***Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF COMPANIES LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 March 2006 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 **Share Capital**

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company.

The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 **Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 **Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 **Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 **Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 **Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of twenty years from 21 March 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 **Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 **General**

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Companies law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Companies law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands on March 2, 2006 under the Companies Law as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at Unit 7602B-7604A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on July 12, 2013. Mr. Chau Ho of Unit 7602B-7604A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As at the date of our incorporation, our authorized share capital was US$50,000, divided into 50,000 shares of par value of US$1.00 each.

On October 15, 2007, our authorized share capital was increased from US$50,000 to US$5,000,000 by the creation of an additional 4,950,000 new ordinary shares of par value of US$1.00 each.

On November 26, 2010, the par value of our shares was changed from US$1.00 each to US$0.0001 each, so that each ordinary share of a par value of US$1.00 in issue and unissued but in the authorized share capital of our Company was subdivided into 10,000 shares of US$0.0001 each. As a result of such share subdivision, the authorized share capital of our Company was changed from 5,000,000 shares of US$1.00 each to 50,000,000,000 Shares of US$0.0001 each.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

On October 23, 2013, our Company allotted and issued: (i) 350,877,333 Shares to High Zenith; (ii) 573,099,645 Shares to Sure Pass; and (iii) 245,614,133 Shares to Rich Matrix.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. **Changes in the Share Capital of Our Subsidiaries**

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

PRC companies

(a) *Shuanghui Development*

On December 31, 2012, the registered capital of Shuanghui Development was increased from RMB605,994,900 to RMB1,100,289,224 by issuing a total of 494,294,324 shares, including 479,440,819 shares to Shuanghui Group and 14,835,505 shares to Rotary Vortex. Shuanghui Development was then owned by Shuanghui Group as to 60.24%, Rotary Vortex as to 13.02%, and public shareholders as to 26.74%. For details of the consideration paid, please refer to the disclosure under the paragraph headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Increase of Our Interests in Shuanghui Development" of this prospectus.

On June 27, 2013, the registered capital of Shuanghui Development was increased from RMB1,100,289,224 to RMB2,200,578,448, which was fully paid up by conversion from capital common reserve to capital at the rate of issuing an additional ten shares for each ten shares.

(b) *Luohe Shuanghui Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司)*

On June 27, 2012, the registered capital of Luohe Shuanghui Haiying Seasoning Food Co., Ltd. was increased from RMB23,277,000 to RMB27,876,600 after Luohe Wanyuan Food Co., Ltd. (漯河萬源食品有限公司) merged with and into it on the same date.

(c) *Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司)*

On October 26, 2012, Luohe Shuanghui Food Sales Co., Ltd. was established under the laws of the PRC with a registered capital of RMB50,000,000, which has been fully paid up.

(d) *Wuhu Shuanghui Food Co., Ltd. (蕪湖雙匯食品有限公司)*

On April 2, 2013, the registered capital of Wuhu Shuanghui Food Co., Ltd. was increased from RMB100,000,000 to RMB300,000,000, which has been fully paid up.

(e) *Wuhu Xinghui Logistics Co., Ltd. (蕪湖興匯物流有限公司)*

On April 18, 2013, Wuhu Xinghui Logistics Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5,000,000, which has been fully paid up.

(f) *Luohe Huixing Animal Husbandry Co., Ltd. (漯河匯興牧業有限公司)*

On November 7, 2013, Luohe Huixing Animal Husbandry Co., Ltd. was established under the laws of the PRC with a registered capital of RMB1,000,000, which has been fully paid up.

On January 24, 2014, the registered capital of Luohe Huixing Animal Husbandry Co., Ltd. was increased from RMB1,000,000 to RMB30,000,000, which has been fully paid up.

(g) *Shanxi Shuanghui Food Co., Ltd. (陝西雙匯食品有限公司)*

On November 19, 2013, Shanxi Shuanghui Food Co., Ltd. was established under the laws of the PRC with a registered capital of RMB100,000,000, which has been fully paid up.

(h) *Luohe Shuanghui Printing & Packaging Co., Ltd. (漯河雙匯彩印包裝有限公司)*

On December 2, 2013, the registered capital of Luohe Shuanghui Printing & Packaging Co., Ltd. was decreased from RMB31,952,308 to RMB26,520,416.

(i) *Jiangsu Huai'an Shineway Food Co., Ltd. (江蘇淮安雙匯食品有限公司)*

On December 16, 2013, the registered capital of Jiangsu Huai'an Shineway Food Co., Ltd. was increased from RMB325,000,000 to RMB355,000,000, which has been fully paid up.

(j) *Nanning Shuanghui Logistics Co., Ltd. (南寧雙匯物流有限公司)*

On January 20, 2014, Nanning Shuanghui Logistics Co., Ltd. was established under the laws of the PRC with a registered capital of RMB2,000,000, which has been fully paid up.

(k) *Smithfield (Shanghai) Foods Co., Ltd. (史蜜斯菲爾德(上海)食品有限公司)*

On February 24, 2014, Smithfield (Shanghai) Foods Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10,000,000, which shall be paid up by its shareholders within 10 years from the day of issuing the business license.

(l) *Luohe Chinachem Shuanghui Offset Printing Co., Ltd. (漯河華懋雙匯膠印有限公司)*

On March 6, 2014, the registered capital of Luohe Chinachem Shuanghui Offset Printing Co., Ltd. was increased from US$2,710,000 to US$6,070,900 after Luohe Chinachem Shuanghui Packing Product Co., Ltd. (漯河華懋雙匯包裝制業有限公司) merged with and into it on the same date.

Offshore companies

(a) *Glorious Link*

On September 26, 2013, Glorious Link allotted and issued 1,000 shares to our Company.

(b) *Rotary Vortex*

On August 30, 2013, the authorized share capital of Rotary Vortex was increased from HK$1,500,000,000 to HK$16,515,000,000 by the creation of 15,015,000,000 new shares of HK$1.00 each.

(c) *Sun Constellation Luxco S.à r.l.*

On May 24, 2013, Sun Constellation Luxco S.à r.l., a private limited liability company, was incorporated under the laws of Grand Duchy of Luxembourg with a subscribed share capital of EUR12,500 divided into 12,500 shares of EUR1.00 each.

On July 12, 2013, the currency of the subscribed share capital of Sun Constellation Luxco S.à r.l., was converted from Euro (EUR) to United States dollars (US$) and the share capital of the company was increased from US$16,292.50 (equivalent of EUR12,500) to US$20,000, by way of the issue of 7,500 new shares of the company.

On August 30, 2013, the share capital of Sun Constellation Luxco S.à r.l. was increased from US$20,000 to US$2,020,000, by way of the issue of 2,000,000 new shares having a nominal value of US$1.00 each.

(d) *Granta Investments Sp.z o.o.*

On January 31, 2013, Granta Investments Sp.z o.o. was incorporated under the laws of Poland with a registered share capital of PLN5,000 divided into 100 share of PLN50 each.

(e) *United Global Foods (US) Holdings, Inc.*

On July 2, 2013, United Global Foods (US) Holdings, Inc. was incorporated under the laws of Commonwealth of Virginia with authority to issue 1,000 shares of common stock with no par value per share.

4. **Resolutions of the Shareholders of the Company Passed on April 4, 2014**

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on April 4, 2014, it was resolved, among others:

a. we approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;

b. the amended and restated Pre-IPO Share Option Scheme was approved and adopted and our Directors were authorised, subject to such conditions as set out in the Pre-IPO Share Option Scheme, to grant Pre-IPO Share Options and to allot and issue the Shares pursuant to the exercise of the Pre-IPO Share Options and to take all such actions as may be necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme;

c. conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined on the Price Determination Date; (cc) the execution and delivery of the International Offering Agreement on the Price Determination Date; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

   (i) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering; and

   (ii) the proposed Listing was approved and our Directors were authorised to implement Listing;

d. a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

   This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Pre-IPO Share Options. This general mandate to issue Shares will remain in effect until:

   (i) the conclusion of the next annual general meeting of our Company;

   (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

   (iii) it is revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

   whichever is the earliest;

e. a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding Shares which may be issued upon the exercise of the Pre-IPO Share Options).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

f. the general unconditional mandate as mentioned in paragraph (d) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Pre-IPO Share Options).

REPURCHASE OF OUR SHARES

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

1. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) *Shareholders' Approval*

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(c) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(d) *Status of Repurchased Shares*

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(e) *Reporting Requirements*

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement

of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(f) *Connected Persons*

A listed company is prohibited from knowingly repurchasing its shares from a "connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling its shares to the company.

2. **Reasons for Repurchase**

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

3. **Funding of Repurchases**

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. **General**

Exercise in full of the current repurchase mandate, on the basis of 14,619,891,111 Shares in issue after completion of the Global Offering (without taking into account of the Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options), could accordingly result in up to 1,461,989,111 Shares being repurchased by us during the period prior to:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(c) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Law or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

a. the third supplemental agreement to the shortfall compensation for profit forecast agreement dated April 20, 2012, entered into by and among Shuanghui Group, Rotary Vortex and Shuanghui Development, pursuant to which Shuanghui Group and Rotary Vortex undertook that, if the projects under construction, being part of the assets injected into Shuanghui Development by Shuanghui Group and Rotary Vortex, fail to be completed and put into operation by December 31, 2014 (the "**Incompleted Projects**"), they would provide Shuanghui Development compensation for the shortfall between the forecasted net profit from 2012 to 2015 and the actual net profit generated by such Incompleted Projects from 2012 to 2015;

b. the third supplemental indenture dated August 1, 2012, entered into between Smithfield and U.S. Bank National Association ("**U.S. BNA**"), in relation to, among other things, the issue of US$1,000,000,000 aggregate principal amount of 6.625% senior notes due 2022 by Smithfield;

c. the equity transfer agreement dated February 4, 2013, entered into between Luohe City Taixing Non-staple Food Co., Ltd. (漯河市泰興副食品有限責任公司) and Shuanghui Logistics, pursuant to which Luohe City Taixing Non-staple Food Co., Ltd. agreed to transfer its 12% equity interests in Luohe Shuanghui Logistics Transportation Co., Ltd. (漯河雙匯物流運輸有限公司) ("**Shuanghui Logistics Transportation**") to Shuanghui Logistics at a consideration of RMB3,566,536.55;

d. the equity transfer agreement dated February 4, 2013 entered into between Luohe Huangpu Auto-mobile Trading Co., Ltd. (漯河皇甫汽車貿易有限公司) and Shuanghui Logistics, pursuant to which Luohe Huangpu Auto-mobile Trading Co., Ltd. agreed to transfer its 12% equtiy interests in Shuanghui Logistics Transportation to Shuanghui Logistics at a consideration of RMB3,566,536.55;

e. the equity transfer agreement dated February 4, 2013, entered into between Liu Dapeng (劉大鵬) (signed by his lawful attorney Li Yanxia (李艷霞) pursuant to a power of attorney dated February 3, 2013 attached thereto) and Shuanghui Logistics, pursuant to which Liu Dapeng agreed to transfer the 12.5% equity interests in Shuanghui Logistics Transportation owned by him and Li Yanxia as to 50% and 50% respectively (pursuant to a divorce settlement) to Shuanghui Logistics at a consideration of RMB3,715,142.24 (of which 50% was paid to Liu Dapeng and 50% was paid to Li Yanxia);

f. the equity transfer agreement dated April 18, 2013, entered into between Wang Jingwen (王經文) (signed by his lawful attorney He Shenghua (賀聖華) pursuant to a power of attorney dated February 3, 2013 attached thereto) and Shuanghui Logistics, pursuant to which Wang Jingwen agreed to transfer his 12.5% equity interests in Shuanghui Logistics Transportation to Shuanghui Logistics at a consideration of RMB3,715,142.24;

g. the share transfer agreement dated May 15, 2013, entered into between Italian Bio-Environmental Technologies S.r.l. and Rotary Vortex, pursuant to which Italian Bio-Environmental Technologies S.r.l. agreed to transfer its 49% share in Luohe Shuanghui Yike Bio-Environmental Company Limited (漯河雙匯意科生物環保有限公司) to Rotary Vortex at a consideration of RMB16,912,086.27;

h. the Merger Agreement dated May 28, 2013, entered into by and among the Company, Merger Sub and Smithfield, details of which are set out in the section headed "History, Development and Corporate Structure — Our History — Our Acquisition of Smithfield by Way of Merger — Merger with Smithfield";

i. the escrow agreement dated May 28, 2013, entered into by and among the Company, Rotary Vortex, Smithfield and Bank of China, New York Branch ("**BOC NY**"), pursuant to which, Rotary Vortex agreed to deposit cash in an amount equal to US$275,000,000 (the "**Escrow Amount**") in immediately available funds with BOC NY, and the Company and Smithfield agreed to appoint and designate BOC NY as escrow agent to receive, hold, invest and disburse the Escrow Amount (together with any interest from time to time earned thereon, and reduced by any subsequent disbursements, amounts withdrawn or losses on investments) to secure the obligation of the Company to pay the amount of US$275,000,000 under the Merger Agreement;

j. the consent and waiver agreement dated May 28, 2013 (as amended by a participant consent letter dated September 25, 2013 signed by C. Larry Pope), entered into between Smithfield and C. Larry Pope, pursuant to which C. Larry Pope irrevocably agreed to the terms and conditions of the change in control executive severance plan of Smithfield, as amended on May 28, 2013 (the "**Plan**") and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$825,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

k. the consent and waiver agreement dated May 28, 2013, entered into between Smithfield and Dariusz Nowakowski, pursuant to which Dariusz Nowakowski irrevocably agreed to the terms and conditions of the Plan and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$725,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

l. the consent and waiver agreement dated May 28, 2013, entered into between Smithfield and Dhamu Thamodaran, pursuant to which Dhamu Thamodaran irrevocably agreed to the terms and conditions of the Plan and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$600,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

m. the consent and waiver agreement dated May 28, 2013 (as amended by a participant consent letter dated September 25, 2013 signed by Robert W. Manly, IV), entered into between Smithfield and Robert W. Manly, IV, pursuant to which Robert W. Manly, IV irrevocably agreed to the terms and conditions of the Plan and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in

exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$325,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

n. the consent and waiver agreement dated May 28, 2013, entered into between Smithfield and George H. Richter, pursuant to which George H. Richter irrevocably agreed to the terms and conditions of the Plan and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$1,125,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

o. the consent and waiver agreement dated May 28, 2013 (as amended by a participant consent letter dated September 25, 2013 signed by Dennis H. Treacy), entered into between Smithfield and Dennis H. Treacy, pursuant to which Dennis H. Treacy irrevocably agreed to the terms and conditions of the Plan and waived all claims he might have under such Plan as it existed prior to its amendment and restatement on May 28, 2013, and in exchange therefor, he would continue to receive rights and entitlements available under the Plan and he would also receive a one-time cash lump sum payment of US$125,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger;

p. the indenture dated July 31, 2013, entered into between Merger Sub and U.S. BNA, in relation to, among other things, the issue of US$500,000,000 aggregate principal amount of 5.250% senior notes due 2018 by Merger Sub;

q. the indenture dated July 31, 2013, entered into between Merger Sub and U.S. BNA, in relation to, among other things, the issue of US$400,000,000 aggregate principal amount of 5.875% senior notes due 2021 by Merger Sub;

r. the facilities agreement (the "**Facilities Agreement**") dated August 30, 2013, entered into by and among (1) the Company; (2) the subsidiaries of the Company listed in part 1 of schedule 1 to the Facilities Agreement; (3) Shuanghui Group; (4) Bank of China Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (also known as Rabobank International), Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Natixis Hong Kong Branch, The Royal Bank of Scotland PLC, Standard Chartered Bank (Hong Kong) Limited and Industrial & Commercial Bank of China (Asia) Limited; (5) the financial institutions listed in part 2 of schedule 1 to the Facilities Agreement; and (6) Bank of China (Hong Kong) Limited ("**BOC HK**"), pursuant to which, among other things, the Lenders (as defined in the Facilities Agreement) agreed to make available to the Company US dollar term loan facilities in an aggregate amount of US$4,000,000,000;

s. the share pledge agreement dated August 31, 2013, entered into by and among Rotary Vortex, Shuanghui Group and BOC HK, pursuant to which Rotary Vortex pledged all the 100% equity interests it held in Shuanghui Group and the relevant rights and interests attached thereto to BOC HK;

t. the share pledge agreement dated August 31, 2013, entered into between Rotary Vortex and BOC HK, pursuant to which Rotary Vortex pledged the 286,494,426 A shares of Shuanghui Development it held and the relevant rights and interests attached thereto to BOC HK;

u. the agreement for registered pledge dated September 9, 2013, entered into between Sun Constellation Luxco S.à r.l. ("**Sun Constellation**") and BOC HK, pursuant to which Sun Constellation established in favor of BOC HK a first ranking registered pledge over the 100 shares in Granta Investments Sp.z o.o. ("**Granta Investments**") up to the maximum secured amount of US$6,000,000,000, to secure all of the claims or rights of BOC HK against Sun Constellation for payment of an amount to BOC HK under or in connection with the Facilities Agreement;

v. the agreement for registered pledge dated September 9, 2013, entered into between Granta Investments and BOC HK, pursuant to which Granta Investments established in favor of BOC HK a first ranking registered pledge over the Collection of Assets (as defined in the agreement) up to the maximum secured amount of US$6,000,000,000, to secure all of the financial claims or rights of BOC HK against Granta Investments for payment of an amount to BOC HK under or in connection with the Facilities Agreement;

w. the paying agent agreement dated September 12, 2013, entered into between the Company, and Deutsche Bank National Trust Company, pursuant to which the Company appointed Deutsche Bank National Trust Company to act as paying agent with respect to the payment of the consideration in relation to the Merger as provided under the Merger Agreement to the holders of Smithfield's common stock issued and outstanding immediately prior to the effective time of the Merger;

x. the stock pledge agreement dated September 13, 2013, entered into between United Global Foods (US) Holdings, Inc. ("**United Global Foods**") and BOC HK, pursuant to which United Global Foods pledged to BOC HK for the benefit of the Finance Parties (as defined in the Facilities Agreement), and granted to BOC HK for the benefit of the Finance Parties a continuing security interest in, the Pledged Collateral (as defined in the agreement);

y. the security agreement dated September 13, 2013, entered into between United Global Foods and BOC HK, pursuant to which United Global Foods granted to BOC HK for the benefit of the Finance Parties (as defined in the Facilities Agreement) a continuing security interest in the Collateral (as defined in the agreement);

z. the stock pledge agreement dated September 13, 2013, entered into between Sun Constellation and BOC HK, pursuant to which Sun Constellation pledged to BOC HK for the benefit of the Finance Parties (as defined in the Facilities Agreement), and granted to BOC HK for the benefit of the Finance Parties a continuing security interest in, the Pledged Collateral (as defined in the agreement);

aa. the account control agreement dated September 13, 2013, entered into by and among United Global Foods, BOC HK and BOC NY, pursuant to which the parties agreed that, among other things, BOC NY would comply with the orders and instructions given to it by BOC HK relating to the account of United Global Foods held at BOC NY;

bb. the share pledge agreement dated September 15, 2013, entered into by and among Rotary Vortex, BOC HK and Sun Constellation, pursuant to which Rotary Vortex pledged its 2,020,000 shares in Sun Constellation and its present and future rights, title, claims and interest in such shares to, and in favour of, BOC HK;

cc. the account pledge agreement dated September 15, 2013, entered into between Sun Constellation and BOC HK, pursuant to which Sun Constellation pledged the Security Assets (as defined in the agreement) to, and in favor of, BOC HK;

dd. the account escrow agreement dated September 15, 2013, entered into by and among BOC HK, Shuanghui Group and Bank of China Limited, Luohe Branch (中國銀行股份有限公司漯河分行) in relation to the supervision and management of the escrow account opened by Shuanghui Group with Bank of China Limited, Luohe Branch and the funds therein;

ee. the absorption and merger agreement dated September 15, 2013, entered into between Luohe Chinachem Shuanghui Offset Printing Co., Ltd. (漯河華懋雙匯膠印有限公司) ("**Chinachem Offset Printing**") and Luohe Chinachem Shuanghui Packing Products Co., Ltd. (漯河華懋雙匯包裝制業有限公司) ("**Chinachem Packing Products**"), pursuant to which Chinachem Packing Products merged with and into Chinachem Offset Printing with Chinachem Offset Printing as the surviving company;

ff. the noncompete, nonsolicitation and nondisclosure agreement dated September 25, 2013, entered into between Smithfield and C. Larry Pope, pursuant to which C. Larry Pope agreed that in exchange for the payment of US$1,250,000 to be paid to him on each of the six-month, first, second and third anniversaries of the closing date of the Merger, among other things, for the period beginning at the effective time of the Merger and continuing until the third anniversary thereof, he would not engage in any Competitive Activity (as defined in the agreement) within the Prohibited Territory (as defined in the agreement);

gg. the noncompete, nonsolicitation and nondisclosure agreement dated September 25, 2013, entered into between Smithfield and Robert W. Manly IV, pursuant to which Robert W. Manly IV agreed that in exchange for the payment of US$625,000 to be paid to him on each of the six-month, first, second and third anniversaries of the closing date of the Merger, among other things, for the period beginning at the effective time of the Merger and continuing until the third anniversary thereof, he would not engage in any Competitive Activity (as defined in the agreement) within the Prohibited Territory (as defined in the agreement);

‘hh. the noncompete, nonsolicitation and nondisclosure agreement dated September 25, 2013, entered into between Smithfield and Dennis H. Treacy, pursuant to which Dennis H. Treacy agreed that in exchange for the payment of US$375,000 to be paid to him on each of the six-month, first, second and third anniversaries of the closing date of the Merger, among other things, for the period beginning at the effective time of the Merger and continuing until the third anniversary thereof, he would not engage in any Competitive Activity (as defined in the agreement) within the Prohibited Territory (as defined in the agreement);

ii. the trust deed dated October 23, 2013 (as amended by a deed of variation dated December 23, 2013 made by Teeroy Limited), entered into between the Company as settlor and Teeroy Limited as trustee in relation to the establishment and administration of the trust for the implementation of the Shuanghui Share Award Plan (II) adopted by the Company;

jj. the equity transfer agreement dated November 25, 2013, entered into by and between Teeuwissen Holding BV and Rotary Vortex, pursuant to which Teeuwissen Holding BV agreed to transfer its 22.75% equity interests in Luohe Shuanghui Teeuwissen Food Co., Ltd. (漯河雙匯泰威遜食品有限公司) (currently known as Luohe Huisheng Biological Technology Co., Ltd. (漯河匯盛生物科技有限公司)) to Rotary Vortex at a consideration of RMB19,383,290.82;

kk. the investment agreement dated January 1, 2014, entered into by and among Sigma Alimentos, S.A. DE C.V., Sigma Alimentos Exterior, S.L.U., Sigma Alimentos Europa, S.L.U. (“**Sigma Europa**”), the Company, Smithfield, SFDS Global Holdings B.V., Cold Field Investments LLC and Smithfield Insurance Company Ltd in relation to the regulation of the parties’ commitment regarding the preparation and execution of the amendment, funding and settlement of the joint tender offer for the 100% shares of Campofrio;

ll. the Deed of Non-competition;

mm. the facility letter issued by BOC HK on April 8, 2014 and accepted by the Company on April 10, 2014, pursuant to which BOC HK agreed to grant the F/X facilities to the Company up to an aggregate maximum notional amount of US$4,100,000,000; and

nn. the Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

(a) *Trademarks*

As of the Latest Practicable Date, our material registered trademarks and material trademarks pending registration were as follows:

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
1.	Shine Way (specified colors)	PRC	Shuanghui Development	1207772	29	Sep 13, 2018
2.	小酷哥	PRC	Shuanghui Development	4096857	29	Jul 20, 2016
3.	双汇王	PRC	Shuanghui Development	1356664	29	Jan 20, 2020
4.	十八味	PRC	Shuanghui Development	3575942	30	Mar 27, 2018
5.	海威夷	PRC	Shuanghui Development	3068019	29	Mar 6, 2023
6.	金阳光	PRC	Shuanghui Development	3119279	30	Jun 13, 2014
7.	双汇 Shineway (specified colors)	PRC	Shuanghui Development	3417755	29	Feb 6, 2024
8.	福满苑	PRC	Shuanghui Development	3575944	30	Dec 6, 2014

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
9.		PRC	Shuanghui Development	3859223	29	Jan 27, 2016
10.		PRC	Shuanghui Development	4585074	30	Jan 20, 2018
11.	超 象	PRC	Shuanghui Development	4502812	31	Oct 20, 2017
12.	(specified colors)	PRC	Shuanghui Development	3731378	30	May 13, 2018
13.	尊 礼	PRC	Shuanghui Development	5175333	29	Mar 20, 2019
14.	水 晶	PRC	Shuanghui Development	4521598	29	Feb 27, 2019
15.		PRC	Shuanghui Development	6518376	29	Dec 6, 2019
16.	洛 克	PRC	Shuanghui Development	6597785	29	Mar 6, 2020
17.	卤福斋	PRC	Shuanghui Development	6887009	29	Mar 27, 2020
18.		PRC	Shuanghui Development	6818347	29	Mar 27, 2020
19.		PRC	Shuanghui Development	6818346	29	Mar 27, 2020

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
20.		PRC	Shuanghui Development	6818340	29	Mar 27, 2020
21.		PRC	Shuanghui Development	6818338	29	Mar 27, 2020
22.		PRC	Shuanghui Development	6623327	29	Mar 13, 2020
23.		PRC	Shuanghui Development	6245395	39	Jun 13, 2020
24.	汤易美	PRC	Shuanghui Development	7272381	30	Aug 20, 2020
25.		PRC	Shuanghui Development	3731377	39	Nov 6, 2018
26.		PRC	Shuanghui Development	7843126	30	Dec 20, 2020
27.		PRC	Shuanghui Development	7843108	43	Feb 6, 2021
28.	清伊坊	PRC	Shuanghui Development	8414184	29	Jan 13, 2022
29.		PRC	Shuanghui Development	9106358	29	Feb 20, 2022
30.		PRC	Shuanghui Development	9106359	29	Feb 20, 2022

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
31.		PRC	Shuanghui Development	9106357	29	Feb 20, 2022
32.		PRC	Shuanghui Development	9106355	29	Feb 20, 2022
33.		PRC	Shuanghui Development	9072729	29	Dec 6, 2022
34.	Q 趣	PRC	Shuanghui Development	5601753	29	Jun 6, 2019
35.		PRC	Shuanghui Development	10187282	29	Jan 13, 2023
36.	(specified colors)	PRC	Shuanghui Development	10227287	29	Jan 27, 2023
37.	双汇王中王 (specified colors)	PRC	Shuanghui Group	1257428	29	Mar 20, 2019
38.	(specified colors)	PRC	Shuanghui Group	1306514	29	Aug 20, 2019
39.		PRC	Shuanghui Group	3167202	29	Jul 20, 2014

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
40.	润 口	PRC	Shuanghui Group	3698674	29	Apr 27, 2015
41.	双汇连锁店	PRC	Shuanghui Group	3401412	35	Jun 27, 2015
42.	旺师傅 WANG SHI FU	PRC	Shuanghui Group	3827454	31	Sep 6, 2015
43.	福满情苑	PRC	Shuanghui Group	4238140	29	Dec 27, 2016
44.	盛典 Sendiant	PRC	Shuanghui Group	6541230	31	Dec 6, 2019
45.	汉普 HANPU	PRC	Shuanghui Group	6541229	31	Dec 6, 2019
46.	金 品	PRC	Shuanghui Group	4528877	29	Oct 6, 2017
47.	小康之家	PRC	Luohe Shuanghui Commerce Investment Co., Ltd.	1311511	29	Sep 6, 2019
48.	(specified colors)	PRC	Luohe Huayi Food Co., Ltd	1157449	29	Mar 6, 2018
49.		PRC	Shuanghui Development	9029452	29	May 13, 2022
50.	清伊坊	PRC	Shuanghui Development	11033956	29	Oct 13, 2023
51.	湘楚人家	PRC	Shuanghui Development	10685290	29	Dec 27, 2023
52.	舌尖上的双汇	PRC	Shuanghui Development	11379473	29	Jan 20, 2024

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
53.		PRC	Shuanghui Development	6211829	30	Dec 6, 2023
54.	雙穗	PRC	Shuanghui Development	10783161	30	Oct 27, 2023
55.	猜蛋小隊	PRC	Shuanghui Development	11214055	29	Dec 6, 2023
56.	蛋香緣	PRC	Shuanghui Development	11214057	29	Dec 6, 2023
57.	蛋香傳説	PRC	Shuanghui Development	11214058	29	Dec 6, 2023
58.	帥俠小蛋	PRC	Shuanghui Development	11214056	29	Dec 13, 2023
59.		PRC	Shuanghui Development	83118911	29	Aug 6, 2023
60.		PRC	Shuanghui Development	8438564	29	Jan 6, 2024
61.		United States	Shuanghui Development	4432170	29	Nov 11, 2023
62.		PRC	Shuanghui Development	337507	29	Jan 29, 2019
63.		Russian Federation	Shuanghui Development	136619	29	Jul 20, 2014
64.		PRC(1)	Shuanghui Development	667764	29	Dec 11, 2016

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
65.	Shine Way	PRC[(2)]	Shua nghui Development	769206	29, 30, 31	Nov 19, 2021
66.	Shine Way	Republic of Korea	Shuanghui Development	4005413290000	30	Feb 12, 2023
67.	Shine Way	Republic of Korea	Shuanghui Development	4005305750000	29	Sep 18, 2022
68.	Shine Way	Malaysia	Shuanghui Development	02010280	29	Aug 22, 2022
69.	Shine Way	Malaysia	Shuanghui Development	02010281	30	Aug 22, 2022
70.	Shine Way	Indonesia	Shuanghui Development	IDM000360002	29	May 6, 2022
71.	Shine Way	Indonesia	Shuanghui Development	IDM000360001	30	May 6, 2022
72.	双汇 Shineway	Republic of Korea	Shuanghui Development	40-0749874	29	Jun 12, 2018
73.	双汇 Shineway	New Zealand	Shuanghui Development	957867	29, 30	Apr 26, 2022
74.	双汇 Shineway	Japan	Shuanghui Development	5207297	29	Feb 20, 2019
75.	双汇 Shineway	Australia	Shuanghui Development	1215228	29	Dec 10, 2017

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
76.		Taiwan R.O.C.	Shuanghui Group	01141086	29	Feb 15, 2015
77.		Taiwan R.O.C.	Shuanghui Group	01141087	29	Feb 15, 2015
78.		Hong Kong	Shuanghui Group	300774298	29	Dec 5, 2016
79.	ARMOUR	United States	Jonmor Investments, Inc.	655574	29	Dec 10, 2017
80.	ARMOUR	United States	Jonmor Investments, Inc.	0732964	15	Jun 19, 2022
81.	ARMOUR	United States	Jonmor Investments, Inc.	2734279	29, 30	Jul 8, 2023
82.	ARMOUR	United States	Jonmor Investments, Inc.	3710049	29	Nov 10, 2019
83.		United States	Jonmor Investments, Inc.	4176043	29, 43	Jul 17, 2022
84.		United States	Jonmor Investments, Inc.	3068559	29	Mar 14, 2016
85.		United States	Jonmor Investments, Inc.	1512902	29	Nov 15, 2018
86.		United States	Jonmor Investments, Inc.	1521144	29	Jan 17, 2019
87.	CARANDO	Canada	SF Investments, Inc.	TMA541475	29	Feb 23, 2016
88.	CARANDO	United States	SF Investments, Inc.	1679542	29	Mar 17, 2022

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
89.	CARANDO	United States	SF Investments, Inc.	3005968	29	Oct 11, 2015
90.	CARANDO	United States	SF Investments, Inc.	1650883	29	Jul 16, 2021
91.	Cook's	Canada	SF Investments, Inc.	770751	29	Jun 25, 2025
92.	Cook's	European Union	SF Investments, Inc.	012080875	29	Aug 21, 2023
93.	Cook's	Mexico	SF Investments, Inc.	1099362	29	Nov 14, 2018
94.	COOK'S	United States	SF Investments, Inc.	2727078	29	Jun 17, 2023
95.	Cook's	United States	SF Investments, Inc.	3671652	29	Aug 25, 2019
96.		United States	SF Investments, Inc.	2365107	29	Jul 4, 2020
97.	CURLY'S	United States	Jonmor Investments, Inc.	2285625	29	Oct 12, 2019
98.	CURLY'S	United States	Jonmor Investments, Inc.	3764207	29	Mar 23, 2020
99.	CURLY'S	United States	Jonmor Investments, Inc.	3734883	29	Jan 5, 2020
100.	ECKRICH	Mexico	Jonmor Investments, Inc.	1195941	29	Apr 9, 2020

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
101.	ECKRICH Since 1894	Mexico	Jonmor Investments, Inc.	1203391	35	Apr 9, 2020
102.	ECKRICH Since 1894	Mexico	Jonmor Investments, Inc.	1202274	43	Apr 9, 2020
103.	E	United States	Jonmor Investments, Inc.	2674993	29	Jan 14, 2023
104.	ECKRICH A Family Tradition Since 1894	United States	Jonmor Investments, Inc.	4317288	29	Apr 9, 2023
105.	ECKRICH DELI	United States	Jonmor Investments, Inc.	3112406	29	Jul 4, 2016
106.	ECKRICH Since 1894	United States	Jonmor Investments, Inc.	4067995	29	Dec 6, 2021
107.	ECKRICH Since 1894	United States	Jonmor Investments, Inc.	4067995	35	Dec 6, 2021
108.	ECKRICH Since 1894	United States	Jonmor Investments, Inc.	4067995	43	Dec 6, 2021
109.	ECKRICH	United States	Jonmor Investments, Inc.	2695413	29	Mar 11, 2023
110.	FARMLAND	PRC	SF Investments, Inc.	1387707	29	Apr 20, 2020

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
111.	FARMLAND	PRC	SF Investments, Inc.	1566791	29	May 6, 2021
112.	Farmland	PRC	SF Investments, Inc.	1387705	29	Apr 20, 2020
113.	Farmland	PRC	SF Investments, Inc.	1566790	29	May 6, 2021
114.	Farmland (Specified colors)	PRC	SF Investments, Inc.	1566792	29	May 6, 2021
115.	Farmland	European Union	SF Investments, Inc.	012080941	29	Aug 21, 2023
116.	FARMLAND	European Union	SF Investments, Inc.	1460161	5, 16, 29, 31	Jan 13, 2020
117.	FARMLAND	Hong Kong	SF Investments, Inc.	1993B05387	29	Jul 11, 2022
118.	FARMLAND	Hong Kong	SF Investments, Inc.	1995B03909	30	May 11, 2024
119.	Farmland	Hong Kong	SF Investments, Inc.	1993B05386	29	Jul 11, 2022
120.	Farmland	Hong Kong	SF Investments, Inc.	1995B03910	30	May 20, 2024
121.	Farmland	Hong Kong	SF Investments, Inc.	302471120	29, 30	Dec 17, 2022
122.	FARMLAND	Japan	SF Investments, Inc.	4062529	29	Oct 3, 2017
123.	FARMLAND	Japan	SF Investments, Inc.	2709676	29	Aug 31, 2015
124.	Farmland	Japan	SF Investments, Inc.	4062530	29	Oct 3, 2017

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
125.	Farmland Good Food from the Heartland	Japan	SF Investments, Inc.	5416259	29	Jun 3, 2021
126.	FARMLAND	Mexico	SF Investments, Inc.	398621	29	Apr 1, 2016
127.	FARMLAND	Mexico	SF Investments, Inc.	484872	30	Sep 13, 2014
128.	FARMLAND	Mexico	SF Investments, Inc.	637599	29	Jan 21, 2018
129.	Farmland	Mexico	SF Investments, Inc.	572018	29	Jan 21, 2018
130.	Farmland	Mexico	SF Investments, Inc.	602684	29	Oct 27, 2018
131.	Farmland	Mexico	SF Investments, Inc.	493799	30	Sep 13, 2014
132.	FARMLAND	Russian Federation	SF Investments, Inc.	244710	29	Dec 6, 2020
133.	FARMLAND	Russian Federation	SF Investments, Inc.	131640	29	Jul 27, 2014
134.	FARMLAND	Russian Federation	SF Investments, Inc.	166991	29	Mar 28, 2017
135.	FARMLAND	Russian Federation	SF Investments, Inc.	177441	29	Jul 28, 2017
136.	Farmland	Russian Federation	SF Investments, Inc.	244708	29	Dec 6, 2020
137.	Farmland	Russian Federation	SF Investments, Inc.	177437	29	Sep 29, 2017
138.	Farmland	Russian Federation	SF Investments, Inc.	244707	29	Dec 6, 2020

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
139.	Farmland	Russian Federation	SF Investments, Inc.	131693	29	Jul 27, 2014
140.	ФАРМЛАНД	Russian Federation	SF Investments, Inc.	244709	29	Dec 6, 2020
141.	ФАРМЛАНД	Russian Federation	SF Investments, Inc.	131692	29	Jul 27, 2014
142.	FARMLAND	United States	SF Investments, Inc.	2648396	29	Nov 12, 2022
143.	Farmland	United States	SF Investments, Inc.	1779770	29	Jun 29, 2023
144.	Farmland	United States	SF Investments, Inc.	3063056	29	Feb 28, 2016
145.	Farmland Good Food from the Heartland	United States	SF Investments, Inc.	3049300	29	Jan 24, 2016
146.	Farmland	United States	SF Investments, Inc.	4269586	30	Jan 1, 2023
147.	Farmland	United States	SF Investments, Inc.	4269585	30	Jan 1, 2023
148.	GWALTNEY	European Union	SF Investments, Inc.	012080991	29	Aug 21, 2023
149.	Since 1870 Gwaltney	European Union	SF Investments, Inc.	012081014	29	Aug 21, 2023
150.	GWALTNEY	Japan	SF Investments, Inc.	3195954	29	Sep 30, 2016
151.	Since 1870 Gwaltney	Japan	SF Investments, Inc.	5591203	29	Jun 14, 2023

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
152.	GWALTNEY	Mexico	SF Investments, Inc.	1386663	29	Apr 1, 2023
153.	GWALTNEY	Singapore	SF Investments, Inc.	T1304085Z	29	Mar 13, 2023
154.	GWALTNEY	United States	SF Investments, Inc.	1741498	29	Dec 22, 2022
155.	GWALTNEY	United States	SF Investments, Inc.	4268310	29	Jan 1, 2023
156.		United States	SF Investments, Inc.	2380824	29	Aug 29, 2020
157.		United States	SF Investments, Inc.	4412214	29	Oct 1, 2023
158.	HEALTHY ONES	United States	Jonmor Investments, Inc.	4013319	29	Aug 16, 2021
159.		United States	Jonmor Investments, Inc.	4010156	29	Aug 9, 2021
160.		United States	Jonmor Investments, Inc.	4196013	29	Aug 21, 2022
161.		Canada	Jonmor Investments, Inc.	TMA814880	29, 43	Jan 4, 2027
162.	JOHN MORRELL	PRC	Jonmor Investments, Inc.	899589	29	Nov 13, 2016
163.	JOHN MORRELL	Mexico	Jonmor Investments, Inc.	567666	29	Nov 19, 2017
164.		Mexico	Jonmor Investments, Inc.	1226532	29	Sep 3, 2020
165.		Mexico	Jonmor Investments, Inc.	1226533	43	Sep 3, 2020

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
166.	JOHN MORRELL	United States	Jonmor Investments, Inc.	1054792	29	Dec 21, 2016
167.		United States	Jonmor Investments, Inc.	3963041	29, 43	May 17, 2021
168.	KRETSCHMAR	United States	Jonmor Investments, Inc.	1672694	29	Jan 21, 2022
169.	KRETSCHMAR	United States	Jonmor Investments, Inc.	4261576	29	Dec 18, 2022
170.		United States	Jonmor Investments, Inc.	3106936	29	Jun 20, 2016
171.		United States	Jonmor Investments, Inc.	3207522	29	Feb 13, 2017
172.		United States	Jonmor Investments, Inc.	4261364	29	Dec 18, 2022
173.		United States	Jonmor Investments, Inc.	4261370	29	Dec 18, 2022
174.		United States	Jonmor Investments, Inc.	3462982	29	Jul 8, 2018
175.		Canada	Jonmor Investments, Inc.	810801	29	Nov 1, 2026
176.	MARGHERITA	United States	Jonmor Investments, Inc.	0961640	29	Jun 19, 2023
177.	MARGHERITA	United States	Jonmor Investments, Inc.	1179402	29	Nov 24, 2021
178.	MARGHERITA	United States	Jonmor Investments, Inc.	3648726	29	Jun 30, 2019

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
179.	Margherita	United States	Jonmor Investments, Inc.	3648725	29	Jun 30, 2019
180.	PATRICK CUDAHY	United States	Patcud Investments, Inc.	3528346	29	Nov 4, 2018
181.	PATRICK CUDAHY	United States	Patcud Investments, Inc.	3894370	29	Dec 21, 2020
182.	史蜜斯	PRC	SF Investments, Inc.	3297518	29	Sep 6, 2023
183.	Smithfield	PRC	SF Investments, Inc.	6054061	29	Aug 13, 2019
184.	Smithfield	European Union	SF Investments, Inc.	004125332	29, 30, 40	Nov 19, 2014
185.	Smithfield	Hong Kong	SF Investments, Inc.	300872569	29	May 17, 2017
186.	史蜜斯 優質 史蜜斯 优质	Hong Kong	SF Investments, Inc.	200302077	29	Jun 17, 2019
187.	Smithfield	International Bureau (WIPO)	SF Investments, Inc.	877667	29	Mar 7, 2015
188.	Smithfield	Japan	SF Investments, Inc.	877667	29	Mar 7, 2015
189.	Smithfield	Mexico	SF Investments, Inc.	1365909	29	Jan 9, 2023
190.	Smithfield	Republic of Korea	SF Investments, Inc.	877667	29	Mar 7, 2015
191.	Smithfield	Singapore	SF Investments, Inc.	T0708727J	29	Apr 24, 2017
192.	Smithfield	Taiwan R.O.C.	SF Investments, Inc.	1300067	29	Jan 31, 2018
193.	SMITHFIELD	United States	SF Investments, Inc.	2624764	29	Sep 24, 2022

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
194.	Smithfield	United States	SF Investments, Inc.	2989997	29	Aug 30, 2015
195.	Smithfield Farmland	European Union	SF Investments, Inc.	012080909	29	Aug 21, 2023
196.	SMITHFIELD MARKETPLACE	United States	SF Investments, Inc.	4264706	35	Dec 25, 2022
197.	SMITHFIELD	Russian Federation	SF Investments, Inc.	2012737542	29	Oct 29, 2022
198.	Smithfield	Russian Federation	SF Investments, Inc.	2012737543	29	Oct 29, 2022
199.	CARANDO Classic Italian	European Union	SF Investments, Inc.	012080842	29	Aug 21, 2023
200.	CURLY'S	European Union	Jonmor Investments, Inc.	012082574	29, 30	Aug 21, 2023
201.	ECKRICH Since 1894	European Union	Jonmor Investments, Inc.	012082608	29	Aug 21, 2023
202.	Gwaltney	United States	SF Investments, Inc.	4485856	29	Feb 18, 2024
203.	John Morrell	European Union	Jonmor Investments, Inc.	012082517	29, 43	Aug 21, 2023
204.	WH GROUP	Hong Kong	WH Group Limited	302860434	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
205.	WH GROUP	Hong Kong	WH Group Limited	302860434	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
206.	WH GROUP	Hong Kong	WH Group Limited	302860434	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
207.	WH GROUP	Hong Kong	WH Group Limited	302860434	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
208.	萬洲國際 WH GROUP	Hong Kong	WH Group Limited	302860443	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
209.	万洲国际 WH GROUP	Hong Kong	WH Group Limited	302860443	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
210.	萬洲國際 WH GROUP	Hong Kong	WH Group Limited	302860443	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
211.	万洲国际 WH GROUP	Hong Kong	WH Group Limited	302860443	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
212.	萬洲國際 WH GROUP	Hong Kong	WH Group Limited	302860452	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
213.	萬洲國際 WH GROUP	Hong Kong	WH Group Limited	302860452	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
214.	万洲国际 WH GROUP	Hong Kong	WH Group Limited	302860452	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
215.	万洲国际 WH GROUP	Hong Kong	WH Group Limited	302860452	1, 16, 18, 29, 30, 31, 32, 33, 35, 39, 40, 43 and 44	Pending Registration
216.	WH GROUP	United States	WH Group Limited	86167208	29, 46	Pending Registration
217.	萬洲國際 WH GROUP	United States	WH Group Limited	86167250	29, 46	Pending Registration
218.	萬洲國際 WH GROUP	United States	WH Group Limited	86167389	29, 46	Pending Registration
219.	萬洲國際 WH GROUP	European Union	WH Group Limited	012508453	29	Pending Registration
220.	万洲国际 WH GROUP	European Union	WH Group Limited	012508701	29	Pending Registration
221.	WH GROUP	European Union	WH Group Limited	012514113	29	Pending Registration
222.	万洲国际 WH GROUP	Mexico	WH Group Limited	1448923	29	Pending Registration
223.	WH GROUP	Mexico	WH Group Limited	1448924	29	Pending Registration
224.	萬洲國際 WH GROUP	Mexico	WH Group Limited	1448925	29	Pending Registration
225.	WH GROUP	Brazil	WH Group Limited	907226094	29	Pending Registration
226.	萬洲國際 WH GROUP	Brazil	WH Group Limited	907226086	29	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
227.		Brazil	WH Group Limited	907226051	29	Pending Registration
228.		Canada	SF Investments, Inc.	1647346	29	Pending Registration
229.	CARANDO	PRC	SF Investments, Inc.	11594227	29	Pending Registration
230.		PRC	SF Investments, Inc.	11594226	29	Pending Registration
231.		United States	SF Investments, Inc.	85860098	29	Pending Registration
232.	CURLY'S	PRC	Jonmor Investments, Inc.	11593940	29	Pending Registration
233.		PRC	Jonmor Investments, Inc.	11593939	29	Pending Registration
234.	ECKRICH	PRC	Jonmor Investments, Inc.	11476091	29	Pending Registration
235.		PRC	Jonmor Investments, Inc.	11476090	29	Pending Registration
236.	FARMLAND	PRC	SF Investments, Inc.	11476080	30	Pending Registration
237.		PRC	SF Investments, Inc.	11476079	30	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
238.	富粮	PRC	SF Investments, Inc.	11476085	30	Pending Registration
239.	GWALTNEY	PRC	SF Investments, Inc.	11594224	30	Pending Registration
240.	GWALTNEY	PRC	SF Investments, Inc.	11594225	29	Pending Registration
241.		PRC	SF Investments, Inc.	11594223	29	Pending Registration
242.		PRC	SF Investments, Inc.	11594222	30	Pending Registration
243.		PRC	SF Investments, Inc.	12171983	30	Pending Registration
244.	GWALTNEY	Republic of Korea	SF Investments, Inc.	40201316122	29	Pending Registration
245.	GWALTNEY	Thailand	SF Investments, Inc.	885903	29	Pending Registration
246.		United States	Jonmor Investments, Inc.	86037800	29	Pending Registration
247.	JOHN MORRELL	PRC	Jonmor Investments, Inc.	11476094	30	Pending Registration
248.	JOHN MORRELL	PRC	Jonmor Investments, Inc.	11476095	29	Pending Registration
249.		PRC	Jonmor Investments, Inc.	11476093	29	Pending Registration
250.		PRC	Jonmor Investments, Inc.	11476092	30	Pending Registration
251.	KRETSCHMAR	PRC	Jonmor Investments, Inc.	11594231	29	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
252.	Kretschmar	PRC	Jonmor Investments, Inc.	11594230	29	Pending Registration
253.	MARGHERITA	Canada	Jonmor Investments, Inc.	1429460	29	Pending Registration
254.	MARGHERITA	Mexico	Jonmor Investments, Inc.	1117310	29	Pending Registration
255.	Margherita	Mexico	Jonmor Investments, Inc.	1117309	29	Pending Registration
256.	Margherita	Mexico	Jonmor Investments, Inc.	0993018	29	Pending Registration
257.	PATRICK CUDAHY	PRC	Patcud Investments, Inc.	11476087	29	Pending Registration
258.	PATRICK CUDAHY	PRC	Patcud Investments, Inc.	11476086	29	Pending Registration
259.	Smithfield	Canada	SF Investments, Inc.	1618105	29	Pending Registration
260.	Smithfield Farmland	Canada	SF Investments, Inc.	1647347	29	Pending Registration
261.	SMITHFIELD	PRC	SF Investments, Inc.	11582682	16	Pending Registration
262.	SMITHFIELD	PRC	SF Investments, Inc.	11582683	31	Pending Registration
263.	SMITHFIELD	PRC	SF Investments, Inc.	11582684	30	Pending Registration
264.	SMITHFIELD	PRC	SF Investments, Inc.	11582685	29	Pending Registration
265.	史蜜斯	PRC	SF Investments, Inc.	11476075	16	Pending Registration
266.	史蜜斯	PRC	SF Investments, Inc.	11476078	29	Pending Registration

No.	Trademark	Place of registration	Name of registered proprietor/ applicant	Registration/ application no.	Class	Expiry Date
267.	史蜜斯	PRC	SF Investments, Inc.	11476077	30	Pending Registration
268.	史蜜斯	PRC	SF Investments, Inc.	11476076	31	Pending Registration
269.	Smithfield	PRC	SF Investments, Inc.	11476084	29	Pending Registration
270.	Smithfield	PRC	SF Investments, Inc.	11476083	30	Pending Registration
271.	Smithfield	PRC	SF Investments, Inc.	11476082	31	Pending Registration
272.	Smithfield	PRC	SF Investments, Inc.	11476081	16	Pending Registration
273.	Smithfield	Philippines	SF Investments, Inc.	042013003480	29	Pending Registration
274.	Smithfield Farmland	United States	SF Investments, Inc.	86025900	29	Pending Registration

Note (1) The recordal of this trademark was made in the International Register of Marks on December 11, 1996 and renewed on February 21, 2008 with the international registration number of 667764 by virtue of the Protocol Relating to the Madrid Agreement and, as the case may be, of the Madrid Agreement. The basic registration of this trademark was made in China on January 30, 1989. Designations under the Madrid Agreement include Albania, Algeria, Armenia, Austria, Azerbaijan, Belarus, Benelux, Bosnia and Herzegovina, Bulgaria, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, Egypt, France, Germany, Hungary, Italy, Kazakstan, Kyrgyzstan, Latvia, Liberia, Mongolia, Morocco, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sudan, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Ukraine, Uzbekistan, Viet Nam, Yugoslavia. Designations under the Madrid Protocol include Denmark, Finland, Norway, Sweden and United Kingdom. Declaration of intention to use the mark includes United Kingdom.

Note (2) The recordal of this trademark was made in the International Register of Marks on November 19, 2001 and renewed on January 26, 2012 with the registration number of 769206 under the Madrid Agreement and Protocol. The basic registration of this trademark was made in China on September 14, 1998. The designations under the Madrid Agreement include Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Ukraine, Uzbekistan, Viet Nam. Designations under the Madrid Protocol include Japan and Singapore. Declaration of intention to use the mark includes Singapore.

(b) ***Patents***

As of the Latest Practicable Date, our material patents were as follows:

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
1.	Process for producing pepsase	PRC	Shuanghui Development	ZL 01121538.0	Oct 20, 2004
2.	Printing recombination method of blown film	PRC	Shuanghui Development	ZL 02135379.4	Jul 19, 2006
3.	Pediococcus pentosaceus strain, ferment produced thereby and the use of ferment in meat ware	PRC	Shuanghui Development	ZL 03126227.9	Aug 23, 2006
4.	Staphylococcus xylosus I2 strain, composite ferment produced thereby and the use of ferment in meat ware	PRC	Shuanghui Development	ZL 03126226.0	Jan 31, 2007
5.	PVDC casing sandwiched printing package film and method for producing same	PRC	Shuanghui Development	ZL 200510017721.4	Jul 22, 2009
6.	Surface printing packaging film of PVDC and nylon co-extrusion film and preparation method thereof	PRC	Shuanghui Development	ZL 200510017981.1	Jul 22, 2009
7.	Method for processing type-II collagen mixture by using poultry sternal cartilages as raw materials	PRC	Shuanghui Development	ZL 200910227641.X	Nov 21, 2012
8.	Liquid-steam separating device for high-temperature soup bases	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201020653013.6	Jun 29, 2011
9.	Safety device for heating drying oven	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201020653159.0	Jun 29, 2011

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
10.	Automatic unloading and winding device of slitting machine	PRC	Luohe Tianrun Color Printing Packaging Co., Ltd. Shuanghui Development	ZL 201020653160.3	Jun 29, 2011
11.	Automatic winding support arm device of slitting machine	PRC	Luohe Tianrun Color Printing Packaging Co., Ltd. Shuanghui Development	ZL 201020653161.8	Jun 29, 2011
12.	Movable tool rest of dividing and cutting machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201020653162.2	Aug 3, 2011
13.	Automatic plastic film waste edge collection system of slitting machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201020653163.7	Jun 29, 2011
14.	Deviation correcting device of dividing and cutting machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201020653167.5	Jun 29, 2011
15.	Sauce conveying device	PRC	Luohe Shuanghui Haiying Seasoning Food Co., Ltd. Shuanghui Development	ZL 201020653174.5	Jul 27, 2011
16.	Automatic material feeding device for powder material packaging machine	PRC	Luohe Shuanghui Haiying Seasoning Food Co., Ltd. Shuanghui Development	ZL 201020653177.9	Jun 29, 2011
17.	Sauce blending pot	PRC	Luohe Shuanghui Haiying Seasoning Food Co., Ltd. Shuanghui Development	ZL 201020653178.3	Jun 29, 2011
18.	Energy saving device for soup base heating cylinder	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201020653180.0	Jun 29, 2011

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
19.	Sauce blending tank with temperature control device	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201020653181.5	Jun 29, 2011
20.	Cooking pot	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201020653183.4	Aug 3. 2011
21.	Circulating water automatic control system for color printing machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201220382826.5	Mar 27, 2013
22.	Safety monitoring system for printing plate shaft of color printing machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201220382897.5	Mar 27, 2013
23.	Automatic proportioning device for solvents during intaglio printing process	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201220383007.2	Mar 27, 2013
24.	Rotating pneumatic clutch used in color printing machine	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201220383046.2	Mar 27, 2013
25.	Dual-layer automatic film roll frame	PRC	Luohe Shuanghui Color Printing Package Co., Ltd. Shuanghui Development	ZL 201220383096.0	Jun 5, 2013
26.	Concentrated condensate water recovering system	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201320048155.3	Jul 24, 2013

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
27.	Cooling water system of vacuum pump water-stop	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201320048251.8	Jul 24, 2013
28.	A mediation groove of taking the temperature alarm device	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Technology Co., Ltd.	ZL 201320048289.5	Oct 2, 2013
29.	Bone residue recovery system in chicken ossein workshop	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Company Limited	ZL 201320115783.9	Aug 14, 2013
30.	Bioengineering workshop steam trace system	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Company Limited	ZL 201320115868.7	Oct 2, 2013
31.	Hot water recycling system of bioengineering workshop	PRC	Shuanghui Development Luohe Shuanghui Biological Engineering Company Limited	ZL 201320116107.3	Aug 14, 2013
32.	Appearance design for poly bag (Taiwan flavor roasted sausage)	PRC	Shuanghui Development	ZL 200630100175.6	Feb 21, 2007
33.	Appearance design for poly bag (pickled peppers flavor sausage)	PRC	Shuanghui Development	ZL 200830080858.9	Jul 8, 2009
34.	Appearance design for film (Rouc sausage)	PRC	Shuanghui Development	ZL 200830080893.0	Jul 8, 2009
35.	Appearance design for poly bag (Rouc sausage)	PRC	Shuanghui Development	ZL 200830080898.3	Sep 30, 2009
36.	Appearance design for film (Shuanghui Q Qu Er corn sausage)	PRC	Shuanghui Development	ZL 200830080921.9	Jul 8, 2009

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
37.	Appearance design for poly bag (golden Shuanghui)	PRC	Shuanghui Development	ZL 200830150759.3	Aug 12, 2009
38.	Appearance design for box (golden Shuanghui)	PRC	Shuanghui Development	ZL 200830150760.6	Sep 9, 2009
39.	Appearance design for poly bag (partner of instant noodle)	PRC	Shuanghui Development	ZL 200930117096.X	Dec 30, 2009
40.	Appearance design for box (partner of instant noodle)	PRC	Shuanghui Development	ZL 200930117097.4	Dec 30, 2009
41.	Appearance design for poly bag (crisp sausage)	PRC	Shuanghui Development	ZL 201030573416.5	Jun 15, 2011
42.	Appearance design for casing (corn hotdog sausage)	PRC	Shuanghui Development	ZL 201030573406.1	Apr 27, 2011
43.	Appearance design for casing (crisp sausage)	PRC	Shuanghui Development	ZL 201030573418.4	Apr 27, 2011
44.	Appearance design for poly bag (Tang Yi Mei)	PRC	Shuanghui Development	ZL 201130409442.9	Jun 27, 2012
45.	Appearance design for casing (Fu Xiang Lai stewing starch sausage)	PRC	Shuanghui Development	ZL 201130425590.X	Jun 27, 2012
46.	Appearance design for poly bag (Fu Xiang Lai stewing starch sausage)	PRC	Shuanghui Development	ZL 201130425624.5	May 9, 2012
47.	Appearance design for poly bag (European crisp sausage)	PRC	Shuanghui Development	ZL 201130426275.9	May 23, 2012
48.	Appearance design for poly bag (Shuanghui sausage)	PRC	Shuanghui Development	ZL 201130426279.7	May 23, 2012
49.	Appearance design for film (Russian roasted sausage)	PRC	Shuanghui Development	ZL 201130426285.2	May 16, 2012
50.	Appearance design for film (roast)	PRC	Shuanghui Development	ZL 201130426297.5	May 16, 2012

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
51.	Appearance design for poly bag (Shuanghui Hao Ke hot pot crisp sausage)	PRC	Shuanghui Development	ZL 201130426300.3	May 16, 2012
52.	Appearance design for poly bag (crispy cartilage roasted sausage)	PRC	Shuanghui Development	ZL 201130426336.1	Jun 27, 2012
53.	Appearance design for poly bag (beef flavor sausage)	PRC	Shuanghui Development	ZL 201130426344.6	May 16, 2012
54.	Appearance design for box (beef flavor sausage)	PRC	Shuanghui Development	ZL 201130426352.0	May 16, 2012
55.	Appearance design for film (Hui Xiang Lai chicken sausage)	PRC	Shuanghui Development	ZL 201230580851.X	Apr 24, 2013
56.	Appearance design for film (sweet sour sauce corn flavor sausage)	PRC	Shuanghui Development	ZL 201230580859.6	Apr 24, 2013
57.	Appearance design for poly bag (huge meat lump special sausage)	PRC	Shuanghui Development	ZL 201230581154.6	Apr 24, 2013
58.	Appearance design for poly bag (Shuanghui big sausage)	PRC	Shuanghui Development	ZL 201230581166.9	Apr 24, 2013
59.	Appearance design for film (sweet corn flavor crisp sausage)	PRC	Shuanghui Development	ZL 201230581167.3	Apr 24, 2013
60.	Appearance design for film (Qing Yi Fang delicious chicken sausage)	PRC	Shuanghui Development	ZL 201230581172.4	Apr 24, 2013
61.	Appearance design for poly bag (Hui Xiang Lai chicken sausage)	PRC	Shuanghui Development	ZL 201230581173.9	Apr 24, 2013
62.	Appearance design for poly bag (new Shuanghui Wang Zhong Wang)	PRC	Shuanghui Development	ZL 201230581203.6	Apr 24, 2013

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
63.	Appearance design for poly bag (sweet sour sauce corn flavor sausage)	PRC	Shuanghui Development	ZL 201230581204.0	Apr 24, 2013
64.	Appearance design for film (Tanwan flavor roasted sausage)	PRC	Shuanghui Development	ZL 201230581206.X	Apr 24, 2013
65.	Appearance design for poly bag (Shuanghui calcium added special sausage)	PRC	Shuanghui Development	ZL 201230581258.7	Apr 24, 2013
66.	Appearance design for label (scallion flavor roasted sausage)	PRC	Shuanghui Development	ZL 201230581358.X	Jun 5, 2013
67.	Appearance design for film (new Shuanghui special sausage)	PRC	Shuanghui Development	ZL 201230579172.0	Apr 24, 2013
68.	Appearance design for poly bag (Shuanghui roasted chicken)	PRC	Shuanghui Development	ZL 201230579233.3	Apr 24, 2013
69.	Appearance design for poly bag (Qing Yi Fang chicken sausage)	PRC	Shuanghui Development	ZL 201230579451.7	Apr 24, 2013
70.	Appearance design for film (Shuanghui corn crisp sausage)	PRC	Shuanghui Development	ZL 201230579486.0	Apr 24, 2013
71.	Appearance design for film (Shuanghui New Orleans flavor sausage)	PRC	Shuanghui Development	ZL 201230579512.X	Apr 24, 2013
72.	Appearance design for poly bag (Macro Polo special sausage)	PRC	Shuanghui Development	ZL 201230579541.6	Apr 24, 2013
73.	Appearance design for casing (fish sausage)	PRC	Shuanghui Development	ZL 201230579770.8	Apr 24, 2013
74.	Appearance design for poly bag (sauce duck flavor sausage)	PRC	Shuanghui Development	ZL 201230579847.1	Apr 24, 2013

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
75.	Appearance design for poly bag (Wang Zhong Wang superior sausage)	PRC	Shuanghui Development	ZL 201230579984.5	Apr 24, 2013
76.	Appearance design for film (sausage for students)	PRC	Shuanghui Development	ZL 201230580001.X	Apr 24, 2013
77.	Appearance design for casing (spicy crisp sausage)	PRC	Shuanghui Development	ZL 201230580109.9	Apr 24, 2013
78.	Appearance design for film (Shuanghui cured pork)	PRC	Shuanghui Development	ZL 201230580130.9	Apr 24, 2013
79.	Appearance design for label (Shuanghui refined sausage)	PRC	Shuanghui Development	ZL 201230580142.1	Apr 24, 2013
80.	Appearance design for casing (delicious sausage)	PRC	Shuanghui Development	ZL 201330005523.1	Aug 14, 2013
81.	Appearance design for box (delicious sausage)	PRC	Shuanghui Development	ZL 201330005586.7	Jun 5, 2013
82.	Appearance design for casing (Beijing flavor sausage)	PRC	Shuanghui Development	ZL 201330249492.4	Oct 2, 2013
83.	Appearance design for casing (golden sausage)	PRC	Shuanghui Development	ZL 201330249518.5	Oct 2, 2013
84.	Appearance design for casing (Harbin flavor sausage)	PRC	Shuanghui Development	ZL 201330249897.8	Oct 2, 2013
85.	Appearance design for poly bag (Taiwan flavor sausage)	PRC	Shuanghui Development	ZL 201330249911.4	Oct 2, 2013
86.	Appearance design for casing (big diced mushroom)	PRC	Shuanghui Development	ZL 201330249930.7	Oct 2, 2013
87.	Phenergan bile tablet and its manufacturing process	PRC	Biochemical Pharmaceutical Factory, Huamao Shuanghui Industrial (Group) Co., Ltd	ZL 02135893.1	Jan 11, 2006
88.	Full-automatic counting, weighing and packing line production machine	PRC	Shanghai Shuanghui Dachang Co., Ltd.	ZL 200910049846.3	Dec 19, 2012

No.	Patent	Place of Registration	Patent holder	Patent No.	Date of Registration
89.	Joint ham and production process thereof	PRC	Shanghai Shuanghui Dachang Co., Ltd.	ZL 200910050158.9	Nov 7, 2012
90.	Flow operation machine for counting, weighing and packaging	PRC	Shanghai Shuanghui Dachang Co., Ltd.	ZL 200920071001.X	Jan 27, 2010
91.	Automatic arranging machine	PRC	Shanghai Shuanghui Dachang Co., Ltd.	ZL 200920071018.5	Jan 27, 2010

(c) ***Domain Names***

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	sh808.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
2.	shuanghui.com.cn	Shuanghui Development	Apr 5, 2001	Apr 5, 2017
3.	shuanghuifazhan.com.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
4.	shuanghuifazhan.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
5.	shuanghuifazhan.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
6.	shuanghuifazhan.net	Shuanghui Development	Mar 4, 2010	Mar 4, 2021
7.	shuanghuiguoji.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
8.	shuanghuiguoji.com.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
9.	shuanghuiguoji.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
10.	shuanghuiguoji.net	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
11.	shuanghuiinternational.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
12.	shuanghuiinternational.com.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
13.	shuanghuiinternational.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
14.	shuanghuiinternational.net	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
15.	shuanghuijituan.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
16.	shuanghuijituan.com.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
17.	shuanghuijituan.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
18.	shuanghuijituan.net	Shuanghui Development	Mar 4, 2010	Mar 4, 2021

No.	Domain Name	Registrant	Date of Registration	Expiry Date
19.	shuanghui.net	Shuanghui Development	Apr 26, 2001	Apr 27, 2018
20.	wanzhougroup.cn	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
21.	wanzhougroup.com.cn	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
22.	wanzhougroup.com	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
23.	wanzhougroup.hk	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
24.	wanzhougroup.org	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
25.	wanzhougroup.us	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
26.	wh-group.cn	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
27.	wh-group.com.cn	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
28.	whgroup.hk	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
29.	wh-group.hk	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
30.	wh-group.net	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
31.	wh-group.org.cn	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
32.	wh-group.us	Shuanghui Development	Nov 29, 2013	Nov 29, 2014
33.	双汇	Shuanghui Development	Mar 1, 2005	Mar 1, 2020
34.	双汇国际.com	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
35.	双汇国际.cn	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
36.	双汇国际.net	Shuanghui Development	Feb 9, 2010	Feb 9, 2020
37.	双汇国际.中国	Shuanghui Development	Feb 25, 2010	Feb 25, 2020
38.	双汇集团	Shuanghui Group	Jan 31, 2005	Jan 31, 2020
39.	Smithfield.com	Smithfield	Jun 19, 1997	Jun 8, 2014
40.	Smithfieldfoods.com	Smithfield	Sep 5, 1997	Sep 4, 2014
41.	Smithfieldfoodservice.com	Smithfield	May 3, 2004	May 3, 2015
42.	Smithfieldhams.com	Smithfield	Sep 19, 1996	Sep 18, 2014
43.	Smithfieldmarketplace.com	Smithfield	Mar 31, 2009	Mar 31, 2015
44.	Gwaltneyfoods.com	Smithfield	Nov 26, 1997	Nov 25, 2014
45.	Armourmeats.com	Armour-Eckrich Meats LLC	Dec 1, 2009	May 8, 2015

No.	Domain Name	Registrant	Date of Registration	Expiry Date
46.	Eckrich.com	Armour-Eckrich Meats LLC	Nov 21, 2009	Sep 13, 2015
47.	Healthyones.com	John Morrell Food Group	Feb 2, 2006	Feb 2, 2016
48.	Margheritameats.com	John Morrell Food Group	Oct 10, 2012	Oct 10, 2014
49.	Farmlandfoods.com	SF Investments, Inc.	Mar 4, 1999	Mar 4, 2016
50.	Farmlandfoodservice.com	SF Investments, Inc.	Dec 16, 2002	Dec 16, 2017
51.	Carando.com	SF Investments, Inc.	Jan 19, 1996	Jan 20, 2015
52.	Mycooksham.com	SF Investments, Inc.	Apr 16, 2012	Apr 16, 2016
53.	Curlys.com	John Morrell & Co.	Sep 24, 1996	Sep 23, 2014
54.	Johnmorrell.com	John Morrell & Co.	Sep 4, 1997	Sep 3, 2014
55.	Johnmorrellfoodgroup.com	John Morrell & Co.	May 21, 2009	May 21, 2017
56.	Kretschmardeli.com	John Morrell & Co. (through proxy service Domains By Proxy, LLC)	Apr 12, 2006	Apr 12, 2016

FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations*

The following table sets out the interests of the Directors and chief executive of the Company immediately following completion of the Global Offering (without taking into account the Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and the Shares which may be alloted and issued pursuant to the exercise of the Pre-IPO Share Options) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

(i) *Interests in the Shares*

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Interest in a controlled corporation(1)	573,099,645	3.920%
	Beneficiary of a trust(2)	721,038,814	4.932%
Mr. Guo Lijun	Beneficiary of a trust(3)	61,789,090	0.423%
Mr. Yang Zhijun	Interest in a controlled corporation(4)	245,614,133	1.680%
	Beneficiary of a trust(5)	43,352,023	0.297%
Mr. Zhang Taixi	Beneficiary of a trust(6)	996,598	0.007%

Notes:

(1) Mr. Wan Long owns Sure Pass as to 100%, which in turn owns 573,099,645 Shares. Accordingly, Mr. Wan Long is deemed to have interest in the 573,099,645 Shares held by Sure Pass.

(2) Mr. Wan Long is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 14.47% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long is deemed to have interest in the 721,038,814 Shares which Heroic Zone is interested in.

(3) Mr. Guo Lijun is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 1.24% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun is deemed to have interest in the 61,789,090 Shares which Heroic Zone is interested in.

(4) Mr. Yang Zhijun owns Rich Matrix as to 100%, which in turn owns 245,614,133 Shares. Accordingly, Mr. Yang Zhijun is deemed to have interest in the 245,614,133 Shares held by Rich Matrix.

(5) Mr. Yang Zhijun is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 0.87% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Yang Zhijun is deemded to have interest in the 43,352,023 Shares which Heroic Zone is interested in.

(6) Mr. Zhang Taixi is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 0.02% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Zhang Taixi is deemed to have interest in the 996,598 Shares which Heroic Zone is interested in.

(ii) *Interests in the underlying Shares of our Company*

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares subject to the Pre-IPO Share Options	Approximate Percentage of Shareholding[(1)]
Mr. Wan Long	Beneficial interest	146,198,889	0.9615%
Mr. Guo Lijun	Beneficial interest	40,000,000	0.2631%
Mr. Pope C. Larry	Beneficial interest	40,000,000	0.2631%
Mr. Zhang Taixi	Beneficial interest	40,000,000	0.2631%

Note:

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

(iii) *Interests in our associated corporation*

Name of Director/ Chief Executive	Name of Associated Corporation	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of Shareholding
Mr. Wan Long	Shuanghui Development	Beneficial interest	94,490	0.05%

(b) *Interests of the substantial shareholders in the Shares*

Immediately following completion of the Global Offering (without taking into account the Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), so far as the Directors are aware, the following persons (other than the Directors and chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding(13)
Rise Grand (1)	Interest in controlled corporation	4,982,991,111	34.084%
Heroic Zone(2)	Beneficial interest	3,181,820,000	21.764%
	Interest in controlled corporation	1,801,171,111	12.320%
CDH Shine	Beneficial interest	1,566,848,914	10.717%
CDH Shine II Limited	Beneficial interest	869,425,183	5.947%
CDH Sunshine Limited(3)	Interest in controlled corporation	869,425,183	5.947%
China Shine Group Limited(4)	Interest in controlled corporation	3,184,909,998	21.785%
CDH PE Fund, L.P.(5)	Interest in controlled corporation	3,184,909,998	21.785%
CDH PE Holdings Company Limited(6)	Interest in controlled corporation	3,184,909,998	21.785%
CDH China Growth Capital Holdings Company Limited(7)	Interest in controlled corporation	3,184,909,998	21.785%

Name	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding[13]
China Diamond Holdings III Limited[8]	Interest in controlled corporation	3,184,909,998	21.785%
CDH V Holdings Company Limited[9]	Interest in controlled corporation	810,651,328	5.545%
CDH Diamond Holdings V Limited[10]	Interest in controlled corporation	810,651,328	5.545%
China Diamond Holdings Company Limited[11]	Interest in controlled corporation	3,995,561,326	27.330%
Ms. Wang Meixiang (王梅香)[12]	Interest of spouse	1,440,337,348	9.852%

Notes:

1. Rise Grand, as the sole shareholder of Heroic Zone, is deemed to be interested in the 3,181,820,000 Shares held by Heroic Zone. As of the Latest Practicable Date, the beneficial interest of Rise Grand was owned by 325 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated December 25, 2009, the employee share committee (the "**ESC**"), on behalf of all HSP Participants under the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian, (each being an employee of the Group), to hold the legal title, 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 HSC participants. The ESC has been composed of five members since its establishment. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Structure at Beginning of Track Record Period".

2. Chang Yun, High Zenith, Sure Pass and Rich Matrix 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 is deemed to be interested in the 1,801,171,111 Shares in aggregate held by Chang Yun, High Zenith, Sure Pass and Rich Matrix. For further details of the voting rights of Chang Yun, High Zenith, Sure Pass and Rich Matrix, please see the sections headed "History, Development and Corporate Structure — Our History — History of Our PRC Business — Share Issuance and Transfer to Chang Yun″ and "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith".

3. CDH Shine II Limited is wholly owned by CDH Sunshine Limited. Therefore, CDH Sunshine Limited is deemed to be interested in all the Shares held by CDH Shine II Limited under the provisions of part XV of the SFO.

4. China Shine Group Limited directly owns the entire interests in each of CDH Shine, CDH Shine III Limited and CDH Shine IV Limited and, through CDH Sunshine Limited, owns the entire interest in CDH Shine II Limited. Therefore, China Shine Group Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

5. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. Therefore, CDH PE Fund, L.P. is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

6. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited. Therefore, CDH PE Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

7. CDH PE Holdings Company Limited is wholly owned by CDH China Growth Capital Holdings Company Limited. Therefore, CDH China Growth Capital Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

8. China Diamond Holdings III Limited directly owns approximately 69.5% of CDH China Growth Capital Holdings Company Limited. Therefore, China Diamond Holdings III Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.

9. CDH Shine V Limited is owned as to 69.9% and 30.1% by CDH Fund V L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.) (天津鼎暉嘉鵬股權投資合伙企業(有限公司)), respectively. CDH V Sunshine I Limited and CDH V Sunshine II Limited are directly wholly-owned by CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P., respectively. The general partners of CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P. are CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively. CDH V Holdings Company Limited is the general partner of CDH Fund V L.P. and also owns the entire interests in CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited. Therefore, CDH V Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.

10. CDH V Holdings Company Limited is wholly-owned by China Diamond Holdings V Limited. Therefore, China Diamond Holdings V is deemed to be interested in all the Shares held by CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.

11. Each of China Diamond Holdings III Limited and China Diamond Holdings V Limited is wholly owned by China Diamond Holdings Company Limited. Therefore, China Diamond Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine Limited, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.

12. Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang is deemed to have interest in the Shares which Mr. Wan Long is interested in.

13. The percentage of shareholding in the table is presented assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised and without taking into account the Shares to be allotted and issued pursuant to the exercise of the Pre-IPO Share Option.

(c) *Interests of the substantial shareholder of any member of our Group (other than our Company)*

So far as our Directors are aware, immediately following completion of the Global Offering, the following persons (not being Directors or chief executive of our Company) will, directly or indirectly, be interested in 10% or more of the nominal value of the equity interests carrying rights to vote in all circumstances at general meeting of the following members of our Group (other than our Company):

Name of Shareholder	Name of Member of the Group	Capacity/ Nature of Interest	Approximate Percentage of Shareholding
Mr. He Shenghua	Shuanghui Logistics	Beneficial owner	15%

Name of Shareholder	Name of Member of the Group	Capacity/ Nature of Interest	Approximate Percentage of Shareholding
Mr. Qiao Mingjun	Luohe Shineway Computer Software Co., Ltd. (漯河雙匯計算機軟件有限責任公司)	Beneficial owner	49%
Teeuwissen Holding BV	Luohe Huisheng Biological Technology Co., Ltd. (漯河匯盛生物科技有限公司)	Beneficial owner	10%
Luohe Hengxiang Industry & Trading Co., Ltd. (漯河市恒祥工貿有限公司)	Luohe Huisheng Biological Technology Co., Ltd. (漯河匯盛生物科技有限公司)	Beneficial owner	15%
AIN Foods Hong Kong International Company Limited (愛櫻食品香港國際有限公司)	Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司)	Beneficial owner	33.40%
NIPPON Meat Packers, Inc. (日本火腿株式會社)	Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd. (漯河雙匯萬中禽業加工有限公司)	Beneficial owner	10%
NIPPON Meat Packers, Inc. (日本火腿株式會社)	Luohe Shuanghui Wanzhong Poultry Development Co., Ltd. (漯河雙匯萬中禽業發展有限公司)	Beneficial owner	10%
Yingte Ranch, Inc. (櫻特農場株式會社)	Henan Wandong Animal-Husbandry Co., Ltd. (河南萬東牧業有限公司)	Beneficial owner	25%
Fuxin Food Co., Ltd. (阜新市食品有限責任公司)	Fuxin Shineway Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司)	Beneficial owner	12%
Heilongjiang Beidahuang Meat Industry Co., Ltd. (黑龍江省北大荒肉業有限公司)	Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司)	Beneficial owner	25%
Heilongjiang Beidahuang Meat Industry Co., Ltd. (黑龍江省北大荒肉業有限公司)	Wangkui Shuanghui Beidahuang Food Co., Ltd. (望奎雙匯北大荒食品有限公司)	Beneficial owner	25%

Name of Shareholder	Name of Member of the Group	Capacity/ Nature of Interest	Approximate Percentage of Shareholding
Heilongjiang Beidahuang Meat Industry Co., Ltd. (黑龍江省北大荒肉業有限公司)	Harbin Shuanghui Beidahuang Food Co., Ltd. (哈爾濱雙匯北大荒食品有限公司)	Beneficial owner	25%
Zhejiang Xinchen Food Co., Ltd. (浙江新辰食品有限公司)	Zhejiang Jinhua Shineway Food Co., Ltd. (浙江金華雙匯食品有限公司)	Beneficial owner	20%
Fuxin Food Co. Ltd. (阜新市食品有限責任公司)	Fuxin Shuanghui Food Co., Ltd. (阜新雙匯食品有限責任公司)	Beneficial owner	29.81%
Fuxin Xinggang Food Co. Ltd. (阜新星港食品有限責任公司)	Fuxin Shuanghui Food Co., Ltd. (阜新雙匯食品有限責任公司)	Beneficial owner	19.19%
Mainstream Holdings Limited (華新控股有限公司)	Shanghai Shuanghui Dachang Co., Ltd. (上海雙匯大昌有限公司)	Beneficial owner	26.04%
Labor Union of Shuanghui Group (雙匯集團工會委員會)	Luohe Shuanghui Freshening Packaging Co., Ltd. (漯河雙匯保鮮包裝有限公司)	Beneficial owner	50%
Labor Union of Shuanghui Group (雙匯集團工會委員會)	Luohe Shuanghui Commerce Chain Co., Ltd. (漯河雙匯商業連鎖有限公司)	Beneficial owner	48%
Labor Union of Shuanghui Group (雙匯集團工會委員會)	Luohe Huite Food Co., Ltd. (漯河匯特食品有限公司)	Beneficial owner	30%
Labor Union of Shuanghui Group (雙匯集團工會委員會)	Luohe Huafeng Investment Co., Ltd. (漯河華豐投資有限公司)	Beneficial owner	25%
Fuxin Food Co., Ltd. (阜新市食品有限責任公司)	Fuxin Huifu Food Co., Ltd. (阜新匯福食品有限公司)	Beneficial owner	20%
ASI Technologies INC.	Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司)	Beneficial owner	25%
ASI Technologies INC.	Luohe Shuanghui Bioengineering Technologies Co., Ltd. (漯河雙匯生物工程技術有限公司)	Beneficial owner	25%

Name of Shareholder	Name of Member of the Group	Capacity/ Nature of Interest	Approximate Percentage of Shareholding
Kureha Corporation	Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑料工程有限公司)	Beneficial owner	10.16%
American Skin, L.L.C	American Skin Food Group LLC	Beneficial owner	20%
NLBT Investments, LLC	American Skin Food Group LLC	Beneficial owner	10%
Johnson Breeders, Inc.	Wilmington Bulk, LLC	Beneficial owner	20%
Prestage Farms, Inc.	Wilmington Bulk, LLC	Beneficial owner	20%
KCS Holdings, LLC	Kansas City Sausage Company, LLC	Beneficial owner	50%
QED Corporation Limited	Best Solutions LLC	Beneficial owner	42.86%
Moritz LLC	Titan Global LLC	Beneficial owner	20%
Prestage of South Carolina, Inc.	Ag Provision, LLC	Beneficial owner	16.7%
Nash Johnson & Sons, Inc.	Ag Provision, LLC	Beneficial owner	16.7%
Six Maxwells LLC	Ag Provision, LLC	Beneficial owner	16.7%
Prestage Farms, Inc.	AgProtein, Inc.	Beneficial owner	25%

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of Mr. Wan Long, Mr. Guo Lijun, Mr. Yang Zhijun, Mr. Pope C. Larry and Mr. Zhang Taixi, being our executive Directors, has entered into a service contract with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Mr. Jiao Shuge, being our non-executive Director, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the non-executive Director or our Company.

Each of Mr. Huang Ming, Mr. Lee Conway Kong Wai and Mr. So Chak Kwong, being our independent non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed in this prospectus, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

3. **Remuneration of Directors**

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2011, 2012 and 2013 were approximately less than US$1 million, US$2 million and US$599 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately US$23.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2014 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individual (including both employees and Directors) for the three years ended December 31, 2011, 2012 and 2013 were approximately less than US$1 million, US$14 million and US$608 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended December 31, 2013 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2013.

4. **Agency Fees or Commission**

Pursuant to a consent and waiver agreement dated May 28, 2013 entered into between Pope C. Larry and Smithfield (as supplemented by a participant consent letter dated September 25, 2013), Pope C. Larry would receive a one-time cash lump sum payment of US$825,000, less the applicable withholdings, on the 180th day following the date of the Merger and on each of the first, second and third anniversaries of the date of the Merger. In addition, pursuant to a noncompete, nonsolicitation and nondisclosure agreement dated September 25, 2013 entered into between Smithfield and Pope C. Larry, Pope C. Larry would receive a one-time cash lump sum payment of US$1,250,000 to be paid to him on each of the six-month, first, second and third anniversaries of the closing date of the Merger, for the period beginning at the effective time of the Merger and continuing until the third anniversary thereof. It has been also agreed that the combined maximum amount that Pope C. Larry may receive under the noncompetition, nonsolicitation and nondisclosure agreement and the consent and waiver agreement and the retention bonus plan would be US$8,300,000.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted to any Director in connection with the issue or sale of any capital of any member of the Group.

5. **Disclaimer**

Save as disclosed in this prospectus:

(a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporation (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO of which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

(b) none of our Directors or experts referred to in the section headed "— Other Information — 7. Qualifications of Experts" of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of the Directors or experts referred to in the section headed "— Other Information — 7. Qualifications of Experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be taken up under the Global Offering, none of our Directors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering (without taking into account the Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(e) save for the Underwriting Agreements, none of the experts referred to under the section headed "— Other Information — 7. Qualifications of Experts" of this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our issued share capital have any interests in the five largest customers or the five largest suppliers of the Group.

PRE-IPO SHARE OPTION SCHEME

(a) ***Purpose and Principal Terms***

The purpose of the Pre-IPO Share Option Scheme is to enable our Group to grant options to qualified persons including any director, employee, adviser, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner and service provider of our Company or any of our subsidiaries as incentives or rewards by reason of their contribution or potential contribution to our Company and/or any of our subsidiaries. The principal terms of the Pre-IPO Share Option Scheme are as follows:

(i) Subject to any alterations set out under the Pre-IPO Share Option Scheme in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company that may take place after the Listing, the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall be 584,795,555, representing no more than 5% of the issued share capital of our Company immediately before completion of the Global Offering.

(ii) No Pre-IPO Share Option will be granted after the Listing Date.

(iii) No consideration will be paid by the grantees for the grant of the Pre-IPO Share Options.

(iv) Subject to the terms of the Pre-IPO Share Option Scheme, the Pre-IPO Share Options shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Pre-IPO Share Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered).

(v) The exercise price per Share under the Pre-IPO Share Option Scheme shall be the Offer Price.

(vi) 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.

(vii) Any Pre-IPO Share Option granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations in respect of the Pre-IPO Share Option Scheme or any such Pre-IPO Share Option unless the dealing of the Shares commences on the Stock Exchange on or before the date which is 30 days after the date of this prospectus.

(b) ***Outstanding Options***

As of the date of this prospectus, the Pre-IPO Share Options to subscribe for an aggregate of 584,795,555 Shares have been granted to a total of 210 eligible participants by our Company under the Pre-IPO Share Option Scheme.

Particulars of the Pre-IPO Share Options granted to the grantees under the Pre-IPO Share Option Scheme are set forth below:

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
Directors				
WAN Long (萬隆)	Executive Director, Chairman and Chief Executive Officer	No. 3, Building 7 No. 200 Mansion, Lijiang Road Zhaoling District Luohe City Henan Province PRC	146,198,889	0.9615%
GUO Lijun (郭麗軍)	Executive Director, Vice President and Chief Financial Officer	5/F, Room B Diamond Court Hillwood Road 10-12 Kowloon, Tsim Sha Tsui Hong Kong	40,000,000	0.2631%
POPE C. Larry	Executive Director	319 East Landing Williamsburg Virginia, U.S.	40,000,000	0.2631%
ZHANG Taixi (張太喜)	Executive Director	Room 903, Building 4 Qinghua Park Fuyuanmingju Songshan Road Luohe City Henan Province PRC	40,000,000	0.2631%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
Senior Management				
QIAO Haili (喬海莉)	Vice president of Shuanghui Development and general manager of Shuanghui Development's meat processing division	Room 2, Unit 2, Building 18, Jianshe Road, Huiyuan District, Luohe City, Henan Province, China	9,922,417	0.0653%
MA Xiangjie (馬相傑)	Vice president of Shuanghui Development and general manager of Shuanghui Development's fresh food division	Room 502, Unit 2, Building 4, No. 106 Huangshan road, Yancheng District, Luohe City, Henan Province, China	9,922,417	0.0653%
WANG Yufen (王玉芬)	Vice president of Shuanghui Development (in charge of technology research)	No. 1103 Shuanghui Garden, Shuanghui Road, Luohe City, Henan Province, China	9,922,417	0.0653%
LIU Songtao (劉松濤)	Vice president of Shuanghui Development (in charge of finance)	Room 2 East, Unit 1, Building A02, Shuanghui International Garden, Jinshan Road, Luohe City, Henan Province, China	5,879,951	0.0387%
SULLIVAN Kenneth M.	Chief financial officer of Smithfield	7627 Hill Drive, Richmond, VA, U.S.	12,000,000	0.0789%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
MANLY IV Robert W.	Executive vice president and chief synergy officer of Smithfield	7501 River Road-Apt #15E Newport News VA, U.S.	5,000,000	0.0329%
THAMODARAN Dhamu R.	Executive vice president and chief commodity hedging officer of Smithfield	1708 Church Point Court Virginia Beach VA, U.S.	7,000,000	0.0460%
NOWAKOWSKI Dariusz	President of Smithfield's Europe division	ul. Grzybowska 4/57, Warsaw, Poland	4,000,000	0.0263%
CHAU Ho (周豪)	Chief Legal Officer and company secretary of the Company	Flat F, G Floor, Step 2, Aegean Terrace, 60 Sassoon Road	3,500,000	0.0230%
Connected persons				
WAN Hongwei (萬宏偉)	Assistant to the Chief Executive Officer	Room 6020, 60/F, The Harbourview Place, 1 Austin Road West, Kowloon	2,500,000	0.0164%
YOU Zhaosheng (游召勝)	Assistant to the president of Shuanghui Development	Room 301, Unit 1, Building 12, Shuanghui Jiashuyuan, Shuanghui Road, Luohe, Henan, China	4,115,966	0.0271%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
LI Xianmu (李現木)	General manager of chemical engineering department of Shuanghui Development	Room 202, Unit 2, Building 11, Forest Peninsula, Yancheng District, Luohe, Henan, China	5,144,957	0.0338%
You Mu (游牧)	General manager of Shuanghui Group	Flat E05, Shuanghui International Gardan, Jinshan Road, Luohe, Henan, China	3,674,969	0.0242%
Lei Yonghui (雷永輝)	General manager of cultivation department of Shuanghui Development	Room 602, Unit 1, Building B06, Shuanghui International Gardan, Jinshan Road, Luohe, Henan, China	3,674,969	0.0242%
HE Jianmin (賀建民)	General manager of Mianyang Shuanghui Food Co., Ltd.	Room 501, Unit 1, Building 12, Yinhewan, East Huanghe Road, Luohe, Henan, China	4,409,963	0.0290%
LIU Hongsheng (劉紅生)	General manager of Shandong Dezhou Shineway Food Co., Ltd.	Flat 6, Unit 3, Jindi Cuiyuan, Taishan Road, Yancheng District, Luohe, Henan, China	4,409,963	0.0290%
YU Songtao (余松濤)	General manager of Nanchang Shuanghui Food Co., Ltd.	Room 202, Unit 1, Building 2, No. 19 Hengshan Road, Shaoling District, Luohe, Henan, China	4,409,963	0.0290%
PAN Guanghui (潘廣輝)	General manager of Zhengzhou Shuanghui Food Co., Ltd.	No. 8, Unit 3, Building 56, No. 66 Jingbeier Road, Zhengzhou, Henan	4,409,963	0.0290%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
ZHAO Sufang (趙朔方)	General manager of Wuhu Shuanghui Food Co., Ltd.	No. 251, Building 2, Haiyuwan, Qingnian Street, Haizhou District, Fuxin, Liaoning	4,409,963	0.0290%
CAO Xiaojie (曹曉杰)	General manager of Nanning Shuanghui Food Co., Ltd.	Room 702, Unit 3, Building 3, No. 339 Huanghe Road, Yancheng District, Luohe, Henan, China	4,409,963	0.0290%
LI Jun (李駿)	General manager of Giangsu Huai'an Shineway Food Co., Ltd.	Flat D27, Shuanghui International Garden, Jinshan Road, Luohe, Henan, China	3,674,969	0.0242%
ZHAO Guobao (趙國寶)	General manager of integrated business department of Shuanghui Development	Room E2, Building C15, Spanish Rose, Nanjiang Road, Luohe, Henan, China	1,469,988	0.0097%
LI Yong (李永)	General manager of Guangdong Shineway Food Co., Ltd.	Room 202, Building B09, Shuanghui International Garden, Jinshan Road, Luohe, Henan, China	2,939,976	0.0193%
SONG Hongliang (宋紅亮)	General manager of Guangdong Shineway Food Co., Ltd.	Room 302, Unit 2, Building 11, No. 860 Jinshan Road, Yancheng District, Luohe, Henan, China	2,939,976	0.0193%
YU Guangshan (芋廣山)	General manager of Fuxin Shineway Meat Processing Co., Ltd.	Room 302, Unit 3, Building 11, World Metro Town, No. 76 Jinshan Road, Luohe, Henan, China	2,939,976	0.0193%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[1]
YIN Weihua (尹衛華)	General manager of Hubei Wuhan Shuanghui Food Co., Ltd.	Room E04, Shuanghui International Garden, Jinshan Road, Luohe, Henan, China	2,939,976	0.0193%
ZHU Longhu (朱龍虎)	General manager of Tangshan Shineway Food Co., Ltd.	Room 104, Unit 1, Building 4, Shanghe Yayuan Nanli, Quanfa Road, Wuqing District,Tianjin, China	2,939,976	0.0193%
CHAI Wenlei (柴文磊)	Deputy manager of chemical engineering department of Shuanghui Development	Room 301, Unit 2, Building 10, Forest Peninsula, Yancheng District, Luohe, Henan, China	1,469,988	0.0097%
COLE, Michael H.	Vice president, chief legal officer and secretary of Smithfield	7407 Glencove Place, Norfolk, VA, U.S.	2,000,000	0.0132%
SCHELLPEPER, Timothy O.	President of The Smithfield Packing Company, Incorporated	2045 Sarah Spence, Williamsburg, VA, U.S.	7,000,000	0.0460%
BROWN, Michael E.	President of Farmland Foods, Inc.	1118 Alhambra, Leawood, KS, U.S.	4,500,000	0.0296%
SEBRING, Joseph B.	President of John Morrell & Co.	5606 Brookstone, Cincinnati, OH, U.S.	4,500,000	0.0296%
SCHMIDT Gregg	President of Murphy-Brown LLC	166 Legacy Drive, Wallace, NC, U.S.	3,000,000	0.0197%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[(1)]
MIHAIL Bogdan	President of Smithfield Romania S.R.L.	16 Frederic Joliot Curie Street — Setion 5, Bucharest, Romania	250,000	0.0016%
POPE Christopher L.	N/A	720N, Larabee - Apt. 203, Chicago, IL, U.S.	1,000,000	0.0066%
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more				
Wen Guoshan (溫國山)	Vice president of Shuanghui Development (in charge of procumbent)	Room 1, Unit 1, Building 1, 91 Jiansha Road, Luohe, Henan, China	5,879,951	0.0387%
Li Hongwei (李紅偉)	Vice president of Shuanghui Development (in charge of quality control)	Room 904, Building 20, Forest Peninsula, Yancheng District, Luohe, Henan, China	5,879,951	0.0387%
Wang Yonglin (王永林)	Deputy general manager of fresh food division of Shuanghui Development (in charge of production)	Room 401, Unit 3, 399 West Renmin Road, Yuanhui District, Luohe, Henan, China	5,879,951	0.0387%
Fu Zhiyong (付志勇)	Deputy general manager of fresh food division of Shuanghui Development (in charge of procurement)	Room 602, Unit 2, Building A04, Shuanghui International Garden, 860 Jinshan Road, Luohe, Henan, China	5,879,951	0.0387%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company after full exercise of the Pre-IPO Share Options[(1)]
Guo Xinwen (郭新聞)	Deputy general manager of meat processing division of Shuanghui Development (in charge of production)	Room 201, Building G01, Shuanghui International Garden, 860 Jinshan Road, Luohe, Henan, China	5,879,951	0.0387%
Liu Qingde (劉清德)	Vice President of Shuanghui Development (in charge of human resources)	Building D20 Shuanghui International Garden, Jinshan Road, Luohe, Henan, China	5,144,957	0.0338%
165 other grantees			127,769,288	0.8403%
Total			584,795,555	3.8462%

Note:

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

Save as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of and permission to deal in the 584,795,555 Shares that may be issued pursuant to the exercise of the Pre-IPO Share Options.

We will not permit the exercise of any Pre-IPO Share Options if as a result of such exercise we would not be able to comply with the minimum public float requirement of the Listing Rules.

(c) ***Effect on Earnings per Share as a Result of the Pre-IPO Share Option Scheme***

Subject to any alterations set out under the Pre-IPO Share Option Scheme in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of

capital of the Company that may take place after the Listing, the total number of shares subject to the Pre-IPO Share Options shall represent no more than 584,795,555 Shares, approximately 4.00% of the issued share capital of our Company immediately upon completion of the Global Offering (excluding any Share which may fall to be allotted and issued upon the exercise of the Pre-IPO Share Options), or approximately 3.85% of the enlarged issued share capital of our Company upon full exercise of all the outstanding Pre-IPO Share Options on completion of the Global Offering. As such, assuming full exercise of the outstanding Pre-IPO Share Options, the shareholding of our Shareholders immediately following completion of the Global Offering will be diluted by approximately 3.08%. Further, assuming that (i) our Company had been listed on the Stock Exchange since January 1, 2013 with 14,619,891,111 Shares in issue; and (ii) our Company had been listed on the Stock Exchange since January 1, 2013 with 14,619,891,111 Shares in issue and all the Pre-IPO Share Options in respect of 584,795,555 Shares were exercised in full on January 1, 2013, the earning per Share on a pro forma diluted basis would be approximately US$(0.02) (unaudited) for the year ended December 31, 2013.

OTHER INFORMATION

1. Litigation

Except as disclosed in this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

2. Preliminary expenses

Our Company's preliminary expenses are approximately US$3,917.48 and have been paid by our Company.

3. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

4. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial position of our Group since December 31, 2013 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this prospectus.

6. **Agency Fees and Commissions Received**

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses — The International Offering — Commissions and Expenses."

7. **Qualifications of Experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
BOCI Asia Limited	Licensed corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.
Morgan Stanley Asia Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO.
Standard Chartered Securities (Hong Kong) Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO.
CITIC Securities Corporate Finance (HK) Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.
Goldman Sachs (Asia) L.L.C.	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the SFO.

Name	Qualifications
UBS Securities Hong Kong Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO.
DBS Asia Capital Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.
Deloitte Hong Kong	Certified public accountants
Deloitte & Touche LLP	Independent registered public accounting firm for Smithfield from September 27, 2013
Ernst & Young LLP	Predecessor independent registered public accounting firm for Smithfield until September 26, 2013
Commerce & Finance	Company's PRC legal advisers
Maples and Calder	Company's Cayman Islands legal advisers

8. Consents

Each of BOCI Asia Limited, Morgan Stanley Asia Limited, Standard Chartered Securities (Hong Kong) Limited, CITIC Securities Corporate Finance (HK) Limited, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, DBS Asia Capital Limited, Deloitte Hong Kong, Deloitte & Touche LLP, Ernst & Young LLP, Commerce & Finance and Maples and Calder has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Joint Sponsors

Apart from BOCI Asia Limited, the other Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Bank of China Limited, a holding company of BOCI Asia Limited, was one of the lending banks to the Syndicated Term Loan. As more than 15% of the proceeds raised from the Global Offering will

be applied directly and indirectly to settle debts due to the sponsor group of BOCI Asia Limited in connection with the Syndicated Term Loan, BOCI Asia Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees payable by us in respect of the Joint Sponsors' services as sponsors for the Listing are US$2.1 million.

10. **Particulars of the Selling Shareholders**

The particulars of the Selling Shareholders are set out as follows:

Name	Goldman Sachs
Place of incorporation	State of Delaware
Date of incorporation	December 8, 2005
Registered office	The Corporation Trust Company, 1209 Orange Street, City of Wilmington, New Castle, State of Delaware
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	49,207,956
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	98,415,642
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	49,207,956
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	98,415,642

Name	Mountain King Investments Limited
Place of incorporation	British Virgin Islands
Date of incorporation	October 8, 2013
Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	19,661,516

Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	39,322,924
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	19,661,516
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	39,322,924

Name	Ample Colour Limited
Place of incorporation	British Virgin Islands
Date of incorporation	October 28, 2013
Registered office	P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	93,567,289
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	93,567,289
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	93,567,289
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	93,567,289

Name	CDH Shine
Place of incorporation	British Virgin Islands
Date of incorporation	February 27, 2006
Registered office	P.O. Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands

Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	178,603,376
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	393,897,743
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	393,597,001
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	608,891,368

Name	CDH Shine II Limited
Place of incorporation	British Virgin Islands
Date of incorporation	March 9, 2007
Registered office	Maples Finance BVI Limited of Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor Over-allotment Option is exercised	99,104,817
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	218,569,013
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	218,402,135
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	337,866,331

Name	CDH Shine III Limited
Place of incorporation	British Virgin Islands
Date of incorporation	July 27, 2009
Registered office	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	51,161,682
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	112,833,651
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	112,747,502
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	174,419,471

Name	CDH Shine IV Limited
Place of incorporation	British Virgin Islands
Date of incorporation	December 16, 2009
Registered office	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	34,174,498
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	75,369,559
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	75,312,014

Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	116,507,075

Name	CDH Shine V Limited
Place of incorporation	British Virgin Islands
Date of incorporation	October 9, 2013
Registered office	c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	28,381,613
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	62,593,739
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	62,545,949
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	96,758,075

Name	CDH V Sunshine I Limited
Place of incorporation	British Virgin Islands
Date of incorporation	October 28, 2013
Registered office	c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	26,401,500
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	58,226,734

Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	58,182,277
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	90,007,511

Name	CDH V Sunshine II Limited
Place of incorporation	British Virgin Islands
Date of incorporation	October 28, 2013
Registered office	c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	37,622,138
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	82,973,096
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	82,909,746
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	128,260,704

Name	Focus Chevalier Investment Co., Ltd.
Place of incorporation	British Virgin Islands
Date of incorporation	May 12, 2006
Registered office	Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	2,771,856

Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	5,543,697
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	2,771,856
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	5,543,697

Name	Blue Air Holdings Limited
Place of incorporation	British Virgin Islands
Date of incorporation	August 27, 2009
Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	27,718,562
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	55,436,972
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	27,718,562
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	55,436,972

Name	Cardilli Limited
Place of incorporation	British Virgin Islands
Date of incorporation	January 30, 2007
Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	42,431,283
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	84,862,333
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	42,431,283
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	84,862,333

Name	Dunearn Investments (Mauritius) Pte Ltd
Place of incorporation	Mauritius
Date of incorporation	April 29, 2004
Registered office	c/o International Management (Mauritius) Ltd. Les Cascades, Edith Cavell Street, Port Louis, Mauritius
Number of Sale Shares to be sold as part of the Global Offering assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised	40,191,914
Number of Sale Shares to be sold as part of the Global Offering assuming that the Offer Size Adjustment Option is exercised in full but no exercise of the Over-allotment Option	80,383,608
Number of Sale Shares to be sold as part of the Global Offering assuming that the Over-allotment Option is exercised in full but no exercise of the Offer Size Adjustment Option	40,191,914
Number of Sale Shares to be sold as part of the Global Offering assuming that both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	80,383,608

11. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. **Taxation of Holders of Our Shares**

(a) ***Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) ***Cayman Islands***

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) ***Consultation with professional advisers***

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

13. **Miscellaneous**

(a) Save as otherwise disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted to any Director or experts referred to in the section headed "— Other Information — 7. Qualifications of Experts" of this appendix in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in the Company;

(iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(v) no capital of the Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(vi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(vii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is sought or proposed to be sought.

14. **Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the WHITE, YELLOW and GREEN Application Forms; (ii) copies of each of the material contracts referred to in the section headed "Appendix IV — Statutory and General Information — Further Information about the Business of the Company — 1. Summary of material contracts"; and (iii) the written consents issued by each of the experts and referred to in section headed "Appendix IV — Statutory and General Information — Other information — 7. Qualifications of Experts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Paul Hastings, 21-22/F Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the accountants' report of the Group for the three years ended December 31, 2013 prepared by Deloitte Hong Kong, the text of which is set out in Appendix IA to this prospectus;

(c) the report on the audited consolidated financial statements of Smithfield for each of the three years in the period ended May 1, 2011, April 29, 2012 and April 28, 2013 prepared by Ernst & Young LLP, the text of which is set out in Appendix IB to this prospectus;

(d) the review report on the consolidated condensed financial statements of Smithfield for the quaterly period ended July 28, 2013 prepared by Ernst & Young LLP, the text of which is set out in Appendix IB to this prospectus;

(e) the review report on the consolidated condensed financial statements of Smithfield for the quaterly period ended October 27, 2013 prepared by Deloitte & Touche LLP, the text of which is set out in Appendix IB to this prospectus;

(f) the report on the audited consolidated financial statements of Smithfield for the periods from April 29, 2013 to September 26, 2013 and from September 27, 2013 to December 29, 2013 prepared by Deloitte & Touche LLP, the text of which is set out in Appendix IB to this prospectus;

(g) the report received from Deloitte Hong Kong on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(h) the PRC legal opinions issued by Commerce & Finance, our legal advisers on PRC law, in respect of our general matters and property interests;

(i) the letter issued by Maples and Calder, our legal advisers on Companies law, summarizing certain aspects of Companies Law referred to in the section headed "Appendix III — Summary of the Constitution and Companies Law";

(j) the Companies Law;

(k) the material contracts referred to in the section headed "Appendix IV — Statutory and General Information — Further Information about the Business of the Company — 1. Summary of material contracts";

(l) the service agreements and letters of appointment referred to in "Appendix IV — Statutory and General Information — Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors' Service Contracts and Letters of Appointment";

(m) the written consents referred to in the section headed "Appendix IV — Statutory and General Information — Other information — 8. Consents";

(n) the statements of particulars of the Selling Shareholders;

(o) the rules of the Pre-IPO Share Option Scheme; and

(p) the full list of all the grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules.

萬洲國際
WH GROUP

Farmland
LOWER SODIUM
CLASSIC CUT
BACON
POPS
Revilla
HOT DOG
BOCADILLO
Aoste
NOBRE
FRANKFURT
MARCASSOU
双汇王中王
HONEY
HAM
ECKRICH
Smithfield
Gwaltney
MILD
Pork Sausage