萬洲國際
WH GROUP

萬洲國際有限公司
WH GROUP LIMITED

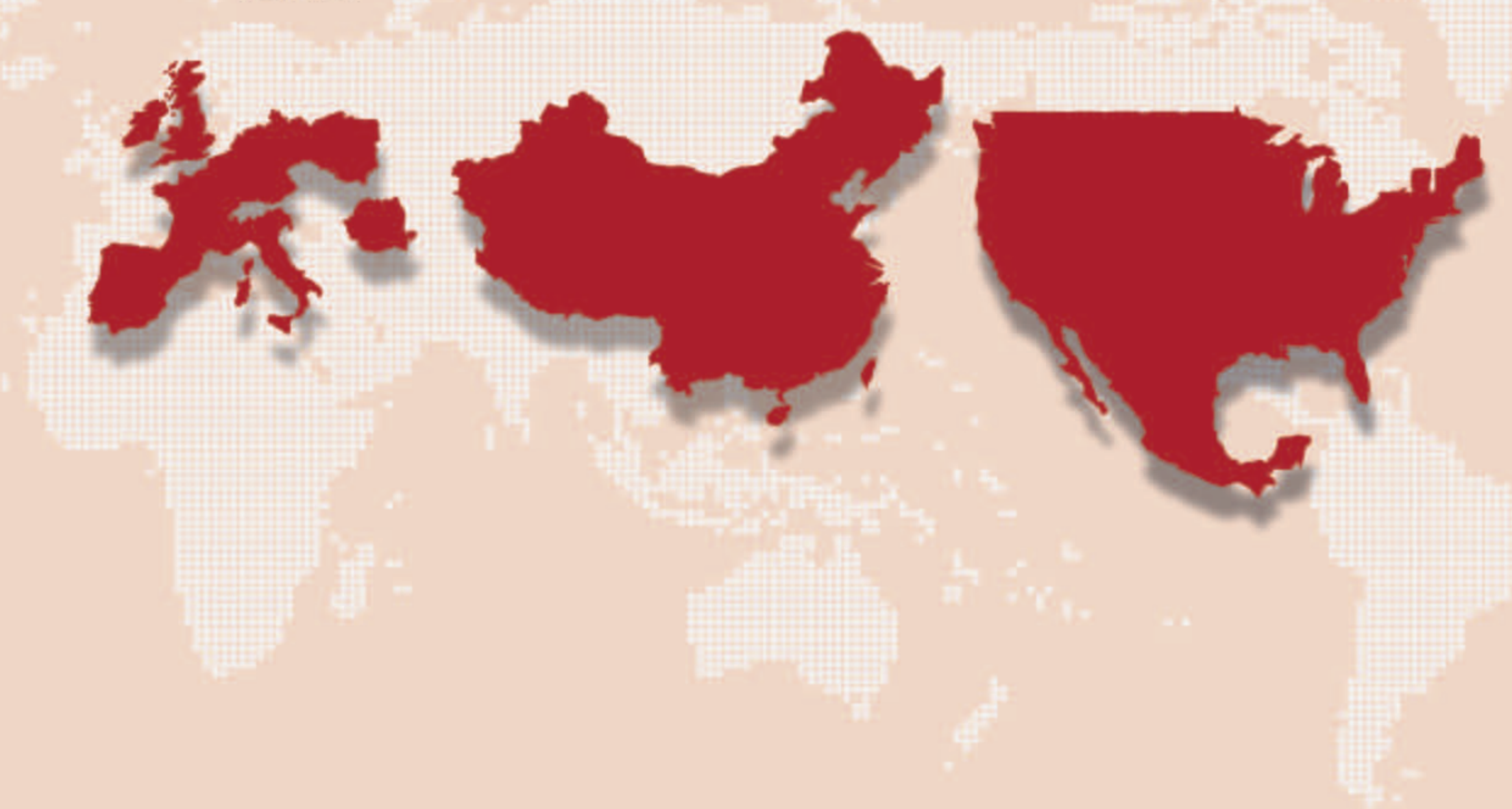
(Incorporated in the Cayman Islands with limited liability)

Stock code: 288

CAMPOFRIO FOOD GROUP

双汇发展 SHUANGHUI DEVELOPMENT

Smithfield



INTERIM REPORT 2014

Contents

Corporate Information

LEGAL NAME OF THE COMPANY

WH Group Limited

PLACE OF LISTING AND TRADING CODE

The shares of the Company were listed on
The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**") on August 5, 2014
(the "**Listing Date**")

Stock Code: 288

COMPANY WEBSITE

www.wh-group.com

DIRECTORS

Executive Directors

Mr. WAN Long (Chairman and Chief Executive Officer)
Mr. GUO Lijun
(Vice President and Chief Financial Officer)
Mr. YANG Zhijun (Vice President)
Mr. POPE C. Larry
(President and Chief Executive Officer of Smithfield)
Mr. ZHANG Taixi (President of Shuanghui Development)

Non-executive Director

Mr. JIAO Shuge (Deputy Chairman)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. CHAU Ho

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Paul Hastings

PRINCIPAL BANKERS

AgFirst Farm Credit Bank
Bank of China
Barclays Bank
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.
(Rabobank Nederland)
DBS Bank
Industrial and Commercial Bank of China
Standard Chartered Bank
The Royal Bank of Scotland

AUTHORISED REPRESENTATIVES

Mr. WAN Long
Mr. CHAU Ho

SHARE REGISTRAR AND TRANSFER OFFICE

Principal

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

Hong Kong Branch

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND CORPORATE HEADQUARTERS IN HONG KONG

Unit 7602B-7604A
Level 76, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Financial Highlights

	Six months ended June 30,	
	2014	2013
Key Operating data		
Hogs produced (thousand heads)	**8,990**	158
Hogs processed (thousand heads)	**24,333**	6,296
Packaged meat products sales volume (thousand metric tons)	**1,522**	797

	Six months ended June 30,			
	2014		2013	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unaudited)		US$ million (unaudited and unreviewed)	
Key financial data				
Turnover	**10,540**	**10,540**	3,298	3,298
EBITDA[1]	**1,064**	**1,321**	419	420
Operating profit[2]	**815**	**815**	329	329
Profit attributable to owners of the Company	**366**	**531**	178	179

- Turnover increased by 219.6% from the comparable period of 2013
- Operating profit increased by 147.7% from the comparable period of 2013
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 105.6% from the comparable period of 2013

Notes:

(1) EBITDA refers to earnings before finance costs, taxation, depreciation and amortization.

(2) Operating profit refers to total reportable segment profit.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements of the Group, including the related notes, set forth in this report.

INDUSTRY OVERVIEW

China

China is the largest pork consumption market in the world and is expected to grow further. During the six months ended June 30, 2014 (the "**Review Period**"), the pork market in China continued robust growth. According to the National Bureau of Statistics of the PRC, total pork production volume increased by 3.0% during the Review Period compared to the six months ended June 30, 2013 (the "**Comparable Period**").

The growth of the PRC pork industry is driven largely by economic development, continued urbanization and rising disposable income. During the Review Period, China's GDP expanded by 7.4% year-over-year and per capita real disposable income increased by 8.3% year-over-year, according to the National Bureau of Statistics of the PRC.

Pork price in China exhibited volatility during the Review Period. Pork prices declined starting from December 2013 till the end of April 2014 as a result of the oversupply of the hogs in the market, which was further augmented by the fragmented structure of the hog production industry. Pork prices rebounded sharply in May 2014 as the low pork price discouraged the supply of hogs. In June 2014, pork prices stabilized. Due to the expertise of our seasoned management team, we effectively managed the changes in the evolving market and achieved significant increases in both scale and profitability.

United States

The United States ("**U.S.**") is the second largest producer of pork worldwide and the largest pork exporter globally. In contrast to the PRC pork industry, the U.S. pork industry is relatively mature and concentrated.

During the Review Period, the U.S. pork market was significantly impacted by the spreading of Porcine Epidemic Diarrhea Virus ("**PEDv**"), a disease that only infects pigs, not humans or other livestock, which is an industry-wide issue and has a significant presence in U.S. swine. The U.S. Department of Agriculture identified PEDv in the U.S. for the first time in 2013. As the market expects a smaller supply of hogs in the market, the hog prices in the U.S. increased substantially and reached record highs in the Review Period, which benefited our hog production business in the U.S. and overall profitability significantly.

Market fundamentals continue to be supportive of our business in a number of areas. Domestic protein demand in the U.S. continues to be stable despite the increase in protein prices. Notwithstanding a bullish hog production outlook, PEDv concerns seem to have thwarted market expansion for now. In addition, corn, which is a major cost component in hog production, is trading at a relatively low level in the U.S.

RESULTS

Our operations delivered solid performances in the Review Period. As a result of our acquisition of Smithfield and the continued expansion of our operations in China, sales volume and turnover continued to grow in the Review Period compared to the Comparable Period. Sales volume for our packaged meats products increased by 91.0% from 797 thousand metric tons in the Comparable Period to 1,522 thousand metric tons in the Review Period. External sales volume for our fresh pork products increased by 320% from 465 thousand metric tons in the Comparable Period to 1,953 thousand metric tons in the Review Period. Total turnover increased by 219.6% from US$3,298 million in the Comparable Period to US$10,540 million in the Review Period.

Operating profit increased by 147.7% from US$329 million in the Comparable Period to US$815 million in the Review Period. Profit for the period attributable to owners of the Company, before biological fair value adjustments, increased by 105.6% from US$178 million in the Comparable Period to US$366 million in the Review Period.

Branded packaged meats have always been our core business. It contributed 53.0% of the Group's total turnover in the Review Period. Its contribution to the Group's operating profit is even higher at 70.6% in the Review Period.

	Six months ended June 30,			
	2014		2013	
	Turnover	**Percentage of Total Turnover**	Turnover	Percentage of Total Turnover
	(US$ million, except percentages)			
Packaged meats	**5,586**	**53.0%**	1,895	57.5%
Fresh pork	**4,628**	**43.9%**	1,280	38.8%
Hog production	**247**	**2.3%**	7	0.2%
Others and corporate[(1)]	**79**	**0.8%**	116	3.5%
Total	**10,540**	**100.0%**	3,298	100.0%

	Six months ended June 30,			
	2014		2013	
	Operating Profit	**Percentage of Total Operating Profit**	Operating Profit	Percentage of Total Operating Profit
	(US$ million, except percentages)			
Packaged meats	**575**	**70.6%**	300	91.2%
Fresh pork	**165**	**20.2%**	54	16.4%
Hog production	**170**	**20.9%**	3	0.9%
Others and corporate[(1)]	**(95)**	**(11.7%)**	(28)	(8.5%)
Total	**815**	**100.0%**	329	100.0%

Note:

(1) Others primarily includes sales of ancillary products and services such as provision of logistics services, sales of flavoring ingredients, external sales of internally-produced packaging materials, sales made by our retail grocery stores and sales of biological pharmaceutical materials.

PACKAGED MEATS

	Six months ended June 30,		
	2014	2013	Change (%)
Sales volume (thousand metric tons)			
China	**826**	797	+3.6
U.S.	**596**	—	—
Others	**100**	—	—
Total	**1,522**	797	+91.0
Turnover (US$ million)			
China	**1,989**	1,895	+5.0
U.S.	**3,277**	—	—
Others	**320**	—	—
Total	**5,586**	1,895	+194.8
Operating profit (US$ million)			
China	**353**	300	+17.7
U.S.	**211**	—	—
Others	**11**	—	—
Total	**575**	300	+91.7

Sales volume of our packaged meats increased by 91.0% from 797 thousand metric tons in the Comparable Period to 1,522 thousand metric tons in the Review Period. Sales volume in our China operations grew by 3.6% in the Review Period from the Comparable Period, primarily as a result of the increase of our sales to hypermarkets and supermarkets as well as to small to medium-sized retail outlets and the increase in sales volume of our premium products. Smithfield contributed 696 thousand metric tons to our packaged meats sales volume in the Review Period.

Packaged meats turnover increased by 194.8% from US$1,895 million in the Comparable Period to US$5,586 million in the Review Period. Turnover in our China operations grew by 5.0% from US$1,895 million in the Comparable Period to US$1,989 million in the Review Period primarily as a result of increases in sales volume. Smithfield contributed US$3,597 million to our packaged meats turnover in the Review Period.

Operating profit for packaged meats increased by 91.7% from US$300 million in the Comparable Period to US$575 million in the Review Period. Operating profit in our China operations grew by 17.7% from US$300 million in the Comparable Period to US$353 million in the Review Period primarily as a result of an increase in sales volume of premium products and a decrease in the per unit price of raw materials. During the Review Period, per unit selling prices in our operations in China increased by 1.3% compared to the Comparable Period due to change of product mix. Smithfield contributed US$222 million to our operating profit for packaged meats in the Review Period.

FRESH PORK

	Six months ended June 30, 2014 Hogs Processed (thousand heads)	2014 Production Volume (thousand metric tons)	2014 External Sales Volume (thousand metric tons)	2013 Hogs Processed (thousand heads)	2013 Production Volume (thousand metric tons)	2013 External Sales Volume (thousand metric tons)	Hogs processed Change (%)
China	**7,668**	**768**	**541**	6,296	629	465	+21.8
U.S.	**14,069**	**1,343**	**1,208**	—	—	—	—
Others	**2,596**	**239**	**204**	—	—	—	—
Total	**24,333**	**2,350**	**1,953**	6,296	629	465	+286.5

	Six months ended June 30, 2014	2013	Change (%)
Turnover (US$ million)			
China	**1,331**	1,280	+4.0
U.S.	**2,866**	—	—
Others	**431**	—	—
Total	**4,628**	1,280	+261.6
Operating profit (US$ million)			
China	**83**	54	+53.7
U.S.	**82**	—	—
Others	**—+**	—	—
Total	**165**	54	+205.6

\+ Less than US$1 million

Hog processed increased by 286.5% from 6,296 thousand heads in the Comparable Period to 24,333 thousand heads in the Review Period. Hog processing volume in our China operations increased by 21.8% from 6,296 thousand heads in the Comparable Period to 7,668 thousand heads in the Review Period, primarily as a result of the increase in our production capacity and the expansion of our distribution network. In the Review Period, Smithfield processed 16,665 thousand heads of hog.

Fresh pork turnover increased by 261.6% from US$1,280 million in the Comparable Period to US$4,628 million in the Review Period. Turnover in our China operations increased by 4.0% from US$1,280 million in the Comparable Period to US$1,331 million in the Review Period. The increase was due primarily to an increase in our sales volume. Our selling prices for fresh pork in China, which are adjusted in accordance with fluctuations in the market price, decreased in the Review Period compared to the Comparable Period. Smithfield contributed US$3,297 million to our fresh pork turnover in the Review Period.

Operating profit for fresh pork increased by 205.6% from US$54 million in the Comparable Period to US$165 million in the Review Period. Operating profit of our China operations grew by 53.7% from US$54 million in the Comparable Period to US$83 million in the Review Period. The increase was due primarily to the increase in our sales volume, effective management of our selling prices, costs and increasing contribution from our higher profit margin sales channels. Smithfield contributed US$82 million to our operating profit for fresh pork in the Review Period.

HOG PRODUCTION

	Six months ended June 30,		
	2014	2013	Change (%)
Production volume (thousand heads)			
China	**154**	158	-2.5
U.S.	**7,550**	—	—
Others	**1,286**	—	—
Total	**8,990**	158	+5,589.9
Turnover (US$ million)			
China	**3**	7	-57.1
U.S.	**215**	—	—
Others	**29**	—	—
Total	**247**	7	+3,428.6
Operating profit (US$ million)			
China	**—**+	3	-100.0
U.S.	**135**	—	—
Others	**35**	—	—
Total	**170**	3	+5,566.7

\+ less than US$1 million

Hogs production volume increased from 158 thousand heads in the Comparable Period to 8,990 thousand heads in the Review Period. The significant increase in hog production volume was due primarily to our acquisition of Smithfield. Hog production volume in China decreased by 2.5% in the Review Period from the Comparable Period. Smithfield contributed 8,836 thousand heads to our hog production volume in the Review Period.

Turnover from our hog production operations increased from US$7 million in the Comparable Period to US$247 million in the Review Period as a result of our acquisition of Smithfield. Turnover from hog production operations in China decreased by 57.1% from US$7 million in the Comparable Period to US$3 million in the Review Period. Smithfield contributed US$244 million to our hog production turnover in the Review Period.

Operating profit for hog production increased from US$3 million in the Comparable Period to US$170 million in the Review Period due primarily to our acquisition of Smithfield. Operating profit for our operations in China decreased from US$3 million in the Comparable Period to less than US$1 million in the Review Period primarily as a result of the decrease in hog prices during the Review Period. Smithfield contributed US$170 million to our operating profit for hog production in the Review Period.

LIQUIDITY AND CAPITAL RESOURCES

We fund 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 any unexpected cash requirements.

EBITDA in the Review Period amounted to US$1,321 million. After deduction of primarily gain arising from changes in fair value less costs to sell of biological assets in the amount of US$304 million, interest paid in the amount of US$170 million and taxation paid in the amount of US$211 million, net cash from operating activities before working capital adjustments in the Review Period amounted to US$616 million.

Working capital adjustments in the Review Period included a US$170 million decrease in biological assets, a US$334 million increase in inventories due to the purchase of more raw materials in anticipation of such prices increasing in China as well as the increase in cost of pork raw materials arising from the increase in pork price in the U.S., a US$259 million decrease in trade and other payables primarily as a result of our payment of such payables as they became due and a US$123 million increase in trade and other receivables primarily as a result of an increase in deposits paid to brokers in relation to Smithfield's hedging activities. In the Review Period, net cash from operating activities amounted to US$70 million.

Net cash used in investing activities in the Review Period amounted to US$238 million, including US$249 million in relation to purchases of property, plant and equipment.

Net cash used in financing activities in the Review Period amounted to US$18 million, reflecting dividends paid in the amount of US$145 million to the minority shareholders of Shuanghui Development and its subsidiaries, partially offset by a net increase in borrowings of US$127 million primarily in relation to Smithfield's drawdown of the inventory revolver and the securitization facility to pay deposits to brokers in relation to its hedging activities and for other working capital purposes.

We had bank balances and cash of US$662 million as of June 30, 2014. Our bank balances and cash are held primarily in Renminbi, U.S. dollars, Polish Zloty and Romanian Lei.

CAPITAL EXPENDITURES

Capital expenditures amounted to US$249 million in the Review Period. The following table sets out our capital expenditures by geographical region for periods indicated:

	Six months ended June 30,	
	2014	2013
	(US$ million)	
China	**150**	100
U.S.	**86**	—
Others	**13**	—
Total	**249**	100

Our capital expenditures during the Review Period primarily related to the production plants in Wuhu, Zhengzhou, Nanning and Nanchang, China, and to plants and hog farm improvement projects in the U.S., including the replacement of gestation stalls with group pens and new production line.

The following table sets forth our annual production capacity of our packaged meats and fresh pork production facilities as of June 30, 2014 and December 31, 2013:

Packaged meats

	As of June 30, 2014	As of December 31, 2013
	(million metric tons)	
China	**2.3**	2.1
U.S.	**1.5**	1.5
Others	**0.2**	0.2

Fresh pork

	As of June 30, 2014	As of December 31, 2013
	(million heads)	
China	**20.7**	19.6
U.S.	**30.2**	30.2
Others	**4.2**	4.2

We expect to continue to incur capital expenditures, primarily in relation to the construction of production plants and factories, the upgrading of existing facilities and the continued conversion of individual gestation stalls to group pens in the U.S. We expect to fund these expenditures primarily from cash generated from our operations and credit facilities.

INDEBTEDNESS AND FINANCE COSTS

Borrowings

Our borrowings amounted to US$7,544 million as of June 30, 2014 and are denominated principally in U.S. dollars, Renminbi and Polish Zloty. We had the following outstanding interest-bearing bank and other borrowings as of the dates indicated:

	As of June 30, 2014 (US$ million)	As of December 31, 2013 (US$ million)
Composition of Borrowings		
Senior unsecured notes	**2,430**	2,441
Bank borrowings	**5,048**	4,912
Loans from third parties	**3**	3
Total	**7,481**	7,356
Bank overdrafts	**63**	76
Maturity of Borrowings (other than bank overdrafts)		
Within one year	**771**	684
Between one to two years	**588**	306
Between two to five years	**4,706**	4,950
After five years	**1,416**	1,416
	7,481	7,356
Borrowings (other than bank overdrafts) by geographical region		
U.S.	**3,019**	2,914
Hong Kong	**3,993**	3,932
China	**412**	421
Others	**57**	89
Total	**7,481**	7,356

As of June 30, 2014, approximately 61.7% of our borrowings were at floating rates (December 31, 2013: 60.7%) and approximately 38.3% of our borrowings were at fixed rates (December 31, 2013: 39.3%).

The borrowings as of June 30, 2014 are secured by pledged bank deposits and the shares of certain of our subsidiaries. As of June 30, 2014, the obligations under the inventory revolver are secured by a first priority lien on certain property, including cash and cash equivalents, deposit accounts, inventory, intellectual property and certain equity interests.

As of June 30, 2014, we had aggregate credit facilities in the amount of US$6,311 million.

Finance Costs

Our finance costs increased from US$6 million in the Comparable Period to US$184 million in the Review Period. The increase was primarily due to the acquisition of Smithfield in 2013. The weighted average interest rate of our borrowings as of June 30, 2014 was 4.7% (December 31, 2013: 4.7%).

Leverage Ratios

Our current ratio (current assets/current liabilities) increased from 1:1.8 as of December 31, 2013 to 1:2.0 as of June 30, 2014. Our debt-to-equity ratio (total borrowings and bank overdrafts/total equity) decreased from 236.8% as of December 31, 2013 to 218.8% as of June 30, 2014.

BIOLOGICAL ASSETS

As of June 30, 2014, we had a total of 11.1 million hogs, consisting of 10.0 million live hogs and 1.1 million breeding stock. The fair value of our biological assets increased slightly from US$1,320 million as of December 31, 2013 to US$1,452 million as of June 30, 2014 primarily as a result of revaluation gains in connection with higher hog prices in the U.S. due to the PEDv spreading throughout the U.S.

Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. Our cost of sales are 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 by (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$358 million and US$11 million in the Review Period and Comparable Period, respectively.

Changes in the fair value arising from agricultural produce at fair value less cost to sell at the point of harvest resulted in gains in the amount of US$311 million and US$5 million in our consolidated statements of profit or loss and other comprehensive income for the Review Period and Comparable Period, 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$304 million and US$7 million in our consolidated statements of profit or loss and other comprehensive income for the Review Period and Comparable Period, respectively.

INVESTMENT IN CAMPOFRIO FOOD GROUP, S. A.

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 Food Group, S.A. ("**Campofrio**") of which we held approximately 37% of the common stock of Campofrio as of the period end. Pursuant to the agreement with Sigma, we will 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 46.8% equity stake in Campofrio immediately before the launch of the joint tender offer, 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. The joint tender offer was launched on May 22, 2014 and ended on June 5, 2014. Approximately 13.5 million shares of Campofrio were tendered at a price of 6.90 euros per share. Upon completion of the joint tender offer, Sigma held approximately 61.3% of the equity interest in Campofrio while our stake remained at 37%. Sigma & WH Food Europe, S.L., the joint vehicle of Sigma and our Group, is currently offering to the remaining shareholders of Campofrio the possibility to sell their remaining share capital at 6.90 euros per share. Sigma shall also fund the purchase of such additional shares that may be eventually sold.

On September 19, 2014, Campofrio was delisted from the Madrid and Barcelona Stock Exchanges.

CONTINGENT LIABILITIES AND GUARANTEES

We have established a provision estimating the expenses to defend against certain litigation matters pending in the State of North Carolina, U.S.. In addition, as of June 30, 2014, we guaranteed US$8.9 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. in 2008. These guarantees may remain in place until the leases expire through February 2022.

FOREIGN CURRENCY EXPOSURE

Certain of our group entities with Renminbi as the functional currency have certain foreign currency sales, purchases, bank balances and cash and borrowings denominated in U.S. dollars and the Euro, which exposes us to foreign currency risk. We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HEDGING

Our meat processing and hog production operations in the U.S. use various raw materials, primarily live hogs, corn and soybean meal, 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 price risk. 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 fresh 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. We attempt to closely match the commodity contract terms with the hedged item.

The majority of our derivatives are exchange traded futures contracts held with brokers. Additionally, we have a smaller portfolio of over-the-counter (OTC) derivatives.

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.

HUMAN RESOURCES

As of June 30, 2014, we had approximately total 120 thousand employees, with approximately 72 thousand employees in our China operations and approximately 48 thousand employees in our U.S. and European operations. Total remuneration expenses for the six months ended June 30, 2014 amounted to US$1,481 million.

We have adopted share-based incentive schemes to recognize and reward the contribution of our employees, provide incentives to retain them to support our continued growth and to attract suitable personnel for further development. We regularly review remuneration and benefits of our employees according to the relevant market practice, employee performance and the financial performance of the Company.

We aim 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.

CORPORATE SOCIAL RESPONSIBILITY

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 research and development, 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 screen each hog and check each batch of raw materials and finished products of packaged meat products to ensure our products are in compliance with the relevant standards. Our commitment to quality extends beyond production to the transportation and delivery of our products through our ownership of China's largest cold-chain logistics network. Furthermore, our advanced information management systems facilitate the traceability of our products. We also intend to continue 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. 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 biosecurity systems, stringent supply chain controls and strict protocols to ensure product safety and consistency. Our biosecurity 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, all Smithfield employees undergo extensive training in food safety policies and procedures—tailored to each of Smithfield's companies—to keep its foods safe. There are also senior-level food safety managers at each of our independent operating companies in each of our U.S. and European operations, and all managers undergo specialized training in food safety issues. 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. To better share knowledge and foster continuous improvement in food safety, we also have a senior-level, cross-functional Food Safety Council that represents the major subsidiaries of our U.S. and European operations.

Our operations in the U.S. are also currently in the process of undergoing a voluntary, ten-year program to phase out individual gestation stalls at our company-owned sow farms and replace individual gestation stalls with group pens. This program represents a significant financial commitment and reflects our desire to be more animal friendly. In January 2014, we announced the recommendation that all of our contract sow growers in our U.S. operations join us in converting their facilities to group housing systems for pregnant sows. We asked contract sow growers to convert by 2022 and offered a sliding scale of incentives to accelerate that timetable through the receipt of contract extensions upon completion of the conversion.

Recently we intend to establish a food safety committee and an environment, society and governance committee under the Board, in order to strengthen our uniformed management of and control over our food safety and better fulfill our social responsibility.

CORPORATE STRATEGIES

Our principal business objective is to maintain and strengthen our industry leading position as the world's largest pork company, to allocate our global resources to speed up global expansion, and to provide consumers with high-quality, delightful packaged meat products. Key strategies for reaching our goals include:

- Global expansion strategy to become bigger and stronger.
- Global resource consolidation strategy to achieve complementarity and synergies.
- Global brand consolidation strategy to improve brand influence and product competitiveness.
- Strict controls over food safety to secure sustainable development.
- Global talent consolidation strategy to build an elite team.

OUTLOOK

We achieved solid growth in the Review Period. Going forward, we intend to continue solidifying our industry leading position as the largest pork company in the world.

In the second half of 2014, in our China operations, we will continue to optimize our product mix, expand our sales by innovation in products and marketing. We will strive to capture the opportunities brought by China's industry consolidation and consumption upgrade. In the U.S., we will continue to focus on maximizing existing business through increased consumer marketing programs and product innovation to further establish ourselves as a leader in the consumer packaged meats market. We will also further realize our growth potential through internal consolidation to improve productivity as well as enhanced management.

We intend to maximize synergies within our vertically integrated global platform.

- We will continue to adopt a flexible strategy to identify the optimal timing of trade to increase the export of fresh pork from Smithfield to China. We will also endeavour to quickly replicate the success we have achieved in the existing 23 Smithfield kiosks in China that sell Smithfield branded premium chilled fresh pork to expand this program to cover the major first-tier and second-tier cities and further develop sales channels such as hotels and restaurant chains. We will also seize the favorable opportunities to import Smithfield's frozen pork for production of packaged meat products in the PRC to lower cost and boost Smithfield's business growth.
- We will introduce Smithfield's raw material, product, technology, management and brand for production of packaged meat products under Smithfield brand to meet the growing demand for packaged meat products in China. Our first plant dedicated to the manufacturing of Smithfield-branded packaged meat products in China will commence production in the first half of 2015.
- We will continue to exchange and adapt the technical and food safety know-how and other operational best practices in our global operations.
- We are moving ahead in the area of global procurement of packaging materials and condiments with an aim to achieve cost savings by taking advantage of our significant purchase volumes.
- We will continue to leverage Smithfield's strong relationships with global quick service restaurant chains and food retailers to further expand our China business.
- We will also deepen and promote management consolidation and cultural integration across our entities in the PRC and the U.S. and further improve our operational efficiency and management.

On August 5, 2014, our shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited. After the full exercise of the over-allotment option on August 6, 2014, we raised approximately US$2,276 million of net proceeds, all of which were used to partially repay the three-year tranche of the US$4.0 billion syndicated term loan we entered into in August 2013 in connection with our acquisition of Smithfield (the "**Syndicated Loan**"). Taking into account of the debt repayment from the net proceeds and our operating cash of US$2,500 million, our debt to equity ratio will decline substantially from 218.8% as of June 30, 2014 to 88.2% as of August 29, 2014. As a result of the early repayment of the three-year tranche of the Syndicated Loan, we expect to save approximately US$90 million of finance costs per annum.

We will grasp the opportunities brought by our successful listing by speeding up the implementation of our global development strategy and continuing 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 our strategies will lead to sustainable growth, solidify our global leadership and create long-term value for our shareholders, employees and communities.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF WH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of WH Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of June 30, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 29, 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2014

	Notes	Six-month period ended June 30, 2014 Results before biological fair value adjustments US$'million (unaudited)	Biological fair value adjustments US$'million (unaudited)	Total US$'million (unaudited)	Six-month period ended June 30, 2013 Results before biological fair value adjustments US$'million (unaudited and unreviewed)	Biological fair value adjustments US$'million (unaudited and unreviewed)	Total US$'million (unaudited and unreviewed)
Turnover		10,540	—	10,540	3,298	—	3,298
Cost of sales		(8,604)	(358)	(8,962)	(2,732)	(11)	(2,743)
Gross profit		1,936	(358)	1,578	566	(11)	555
Distribution and selling expenses		(728)	—	(728)	(118)	—	(118)
Administrative expenses		(372)	—	(372)	(98)	—	(98)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		—	311	311	—	5	5
Gain arising from changes in fair value less costs to sell of biological assets		—	304	304	—	7	7
Other income		57	—	57	35	—	35
Other gains and losses		14	—	14	4	—	4
Other expenses		(50)	—	(50)	(35)	—	(35)
Finance costs		(184)	—	(184)	(6)	—	(6)
Share of profits of associates		8	—	8	4	—	4
Share of profits of joint ventures		21	—	21	—	—	—
Profit before taxation	4	702	257	959	352	1	353
Taxation	5	(225)	(92)	(317)	(84)	—	(84)
Profit for the period		477	165	642	268	1	269
Other comprehensive (expense) income for the period:							
Items that will not be reclassified subsequently to profit or loss							
– exchange differences arising on translation to presentation currency				—			41
– remeasurement on defined benefit pension plans				(46)			—
				(46)			41
Items that may be reclassified subsequently to profit or loss							
– exchange differences arising on translation of foreign operations				(61)			—
– fair value change in cash flow hedge				(101)			—
				(162)			—
Other comprehensive (expense) income for the period, net of tax				(208)			41
Total comprehensive income for the period				434			310
Profit for the period attributable to							
– owners of the Company				531			179
– non-controlling interests				111			90
				642			269
Total comprehensive income for the period attributable to							
– owners of the Company				342			210
– non-controlling interests				92			100
				434			310
Earnings per share							
– Basic (US$ cents)	7			4.96			1.81
– Diluted (US$ cents)	7			4.68			1.70

Condensed Consolidated Statement of Financial Position

At June 30, 2014

	Notes	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Non-current assets			
Property, plant and equipment	8	**4,160**	4,132
Prepaid lease payments		**200**	208
Biological assets	9	**213**	204
Goodwill		**1,838**	1,835
Intangible assets		**1,767**	1,780
Interests in associates		**418**	415
Interests in joint ventures		**144**	121
Loans and other receivables		**43**	123
Pledged bank deposits		**14**	9
Deferred tax assets		**72**	42
Other non-current assets		**105**	120
		8,974	8,989
Current assets			
Biological assets	9	**1,239**	1,116
Inventories	10	**2,136**	1,808
Trade and bills receivables	11	**862**	870
Prepayments, deposits and other receivables		**463**	242
Prepaid lease payments		**5**	5
Taxation recoverable		**1**	37
Available-for-sale investments		**161**	151
Derivatives financial assets		**39**	6
Pledged bank deposits		**47**	57
Bank balances and cash		**662**	875
		5,615	5,167
Current liabilities			
Trade payables	12	**636**	851
Accrued expenses and other payables	13	**1,124**	1,146
Taxation payable		**45**	44
Derivatives financial liabilities		**234**	21
Borrowings	14	**771**	684
Bank overdrafts	14	**63**	76
		2,873	2,822
Net current assets		**2,742**	2,345
Total assets less current liabilities		**11,716**	11,334

	Notes	**At June 30, 2014 US$'million (unaudited)**	At December 31, 2013 US$'million (audited)
Non-current liabilities			
Borrowings	14	**6,710**	6,672
Other payables	13	**143**	150
Obligations under finance leases		**24**	25
Deferred tax liabilities		**829**	824
Deferred revenue		**6**	9
Pension liability and other retirement benefits	15	**556**	516
		8,268	8,196
Net assets		**3,448**	3,138
Capital and reserves			
Share capital		**1**	1
Reserves		**2,632**	2,274
Equity attributable to owners of the Company		**2,633**	2,275
Non-controlling interests		**815**	863
Total equity		**3,448**	3,138

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (note (a))	Translation reserve US$'million	Other reserve US$'million (note (b))	China statutory reserves US$'million (note (c))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total US$'million
At January 1, 2014 (audited)	**1**	**581**	**(55)**	**258**	**674**	**170**	**646**	**2,275**	**863**	**3,138**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**531**	**531**	**111**	**642**
Exchange difference arising on translation of foreign operations	**—**	**—**	**—**	**(42)**	**—**	**—**	**—**	**(42)**	**(19)**	**(61)**
Remeasurement on defined benefit pension plans	**—**	**—**	**—**	**—**	**(46)**	**—**	**—**	**(46)**	**—**	**(46)**
Fair value changes in cash flow hedge	**—**	**—**	**—**	**—**	**(101)**	**—**	**—**	**(101)**	**—**	**(101)**
Total comprehensive (expense) income for the period	**—**	**—**	**—**	**(42)**	**(147)**	**—**	**531**	**342**	**92**	**434**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(145)**	**(145)**
Capital contribution by non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—+**	**—+**
Share-based payments	**—**	**—**	**—**	**—**	**16**	**—**	**—**	**16**	**5**	**21**
Transfers	**—**	**—**	**—**	**—**	**—**	**34**	**(34)**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**16**	**34**	**(34)**	**16**	**(140)**	**(124)**
At June 30, 2014 (unaudited)	**1**	**581**	**(55)**	**216**	**543**	**204**	**1,143**	**2,633**	**815**	**3,448**
At January 1, 2013 (audited)	1	581	(55)	151	32	152	927	1,789	761	2,550
Profit for the period	—	—	—	—	—	—	179	179	90	269
Exchange difference arising on translation to presentation currency	—	—	—	31	—	—	—	31	10	41
Total comprehensive income for the period	—	—	—	31	—	—	179	210	100	310
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(85)	(85)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	(2)	(2)
Share-based payments	—	—	—	—	16	—	—	16	5	21
Transfers	—	—	—	—	—	14	(14)	—	—	—
	—	—	—	—	16	14	(14)	16	(82)	(66)
At June 30, 2013 (unaudited and unreviewed)	1	581	(55)	182	48	166	1,092	2,015	779	2,794

\+ Less than US$1 million.

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

As at June 30, 2013, other reserve represents the fair value of the share awards attributable to the Group of US$48 million. As at June 30, 2014, other reserve included the fair value of the share awards, remeasurement deficit of the defined benefit pension plans and fair value deficit in cash flow hedge attributable to the Group of US$677 million, US$28 million and US$106 million 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 their profit, as determined under the China accounting regulations, to the statutory surplus reserve until the reserve aggregates to 50% of their registered capital. The transfer to this reserve must be made before distribution of dividends to owners.

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 owners' 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

	Note	Six-month period ended June 30, 2014 US$'million (unaudited)	2013 US$'million (unaudited and unreviewed)
Net cash from operating activities		**70**	107
Investing activities			
Interest received		**8**	8
Dividends received from associates		**3**	5
Purchase of property, plant and equipment		**(249)**	(74)
Proceeds from disposal of property, plant and equipment		**6**	5
Prepayment for lease payments		**(2)**	(11)
Net cash outflow on acquisition of business	16	**(11)**	—
Purchase of available-for-sale investments		**(1,136)**	(1,842)
Proceeds from maturity of available-for-sale investments		**1,137**	1,706
Placement of pledged bank deposits		**(24)**	(14)
Withdrawal of pledged bank deposits		**30**	4
Net cash used in investing activities		**(238)**	(213)
Financing activities			
Dividends paid to non-controlling interests		**(145)**	(85)
Proceeds from borrowings, net of transaction costs		**876**	542
Repayment of borrowings		**(749)**	(260)
Cash inflow (outflow) on acquisition of additional interests in subsidiaries		**—+**	(2)
Net cash (used in) from financing activities		**(18)**	195
Net (decrease) increase in cash and cash equivalents		**(186)**	89
Cash and cash equivalents at January 1,		**799**	674
Effect on foreign exchange rate changes		**(14)**	16
Cash and cash equivalents at June 30,		**599**	779
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**662**	826
Bank overdrafts		**(63)**	(47)
		599	779

\+ Less than US$1 million.

1. BASIS OF PRESENTATION

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are livestock slaughtering as well as manufacture and sales of meat and meat products.

The functional currency of the Company was Renminbi ("RMB"), as the main operation of the Group is located in the Mainland China ("China") before the acquisition of Smithfield Foods, Inc. ("Smithfield") (the "Acquisition") in September 2013 while the presentation currency of the Group is U.S. 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.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended June 30, 2014 are the same as those followed in the preparation of the Group's financial information for the three years ended December 31, 2013 and the three-month period ended March 31, 2014 incorporated in the prospectus of the Company dated July 24, 2014.

3. 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 flavoring 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.

3. SEGMENT INFORMATION *(continued)*

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

For the six months ended June 30, 2014

	Packaged meats US$'million (unaudited)	Fresh pork US$'million (unaudited)	Hog production US$'million (unaudited)	Others and corporate US$'million (unaudited)	Total US$'million (unaudited)
China					
Segment revenue	1,989	1,652	34	199	3,874
Less: Inter-segment sales	—	(321)	(31)	(120)	(472)
Net external sales	1,989	1,331	3	79	3,402
Reportable segment profit (loss)	353	83	—+	(31)	405
United States of America ("U.S.")					
Segment revenue	3,277	2,993	1,706	—	7,976
Less: Inter-segment sales	—	(127)	(1,491)	—	(1,618)
Net external sales	3,277	2,866	215	—	6,358
Reportable segment profit (loss)	211	82	135	(64)	364
Others					
Segment revenue	340	434	276	—	1,050
Less: Inter-segment sales	(20)	(3)	(247)	—	(270)
Net external sales	320	431	29	—	780
Reportable segment profit	11	—+	35	—	46
Total					
Segment revenue	5,606	5,079	2,016	199	12,900
Less: Inter-segment sales	(20)	(451)	(1,769)	(120)	(2,360)
Net external sales	5,586	4,628	247	79	10,540
Reportable segment profit (loss)	575	165	170	(95)	815
Unallocated income					71
Unallocated expenses					(29)
Biological assets fair value adjustments					257
Finance costs					(184)
Share of profits of associates					8
Share of profits of joint ventures					21
Profit before taxation					959

\+ Less than US$1 million.

3. SEGMENT INFORMATION *(continued)*

For the six months ended June 30, 2013

	Packaged meats US$'million (unaudited and unreviewed)	Fresh pork US$'million (unaudited and unreviewed)	Hog production US$'million (unaudited and unreviewed)	Others and corporate US$'million (unaudited and unreviewed)	Total US$'million (unaudited and unreviewed)
China					
Segment revenue	1,895	1,574	40	216	3,725
Less: Inter-segment sales	—	(294)	(33)	(100)	(427)
Net external sales	1,895	1,280	7	116	3,298
Reportable segment profit (loss)	300	54	3	(28)	329
Unallocated income					36
Unallocated expenses					(11)
Biological assets fair value adjustments					1
Finance costs					(6)
Share of profits of associates					4
Profit before taxation					353

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

Geographical information

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

4. PROFIT BEFORE TAXATION

	Six-month period ended June 30, 2014 US$'million (unaudited)	2013 US$'million (unaudited and unreviewed)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**173**	59
Amortisation of intangible assets included in administrative expenses	**3**	—+
Release of prepaid lease payments	**2**	2
Write-down of inventories included in cost of sales	**6**	8
Impairment loss recognised on trade and other receivables	**2**	—+
Operating leases rentals in respect of rented premises	**61**	24
Research and development expenses	**46**	9
and after crediting:		
Gain on maturity of available-for-sale investments	**15**	3

The cost of sales represented the cost of inventories recognised as expenses during both periods.

\+ Less than US$1 million.

5. TAXATION

	Six-month period ended June 30, 2014 US$'million (unaudited)	2013 US$'million (unaudited and unreviewed)
China Enterprise Income Tax		
– current period	**(99)**	(80)
– underprovision in prior year	**(1)**	—
	(100)	(80)
U.S. and other overseas Income Tax		
– current period	**(120)**	—
Withholding tax	**(24)**	(33)
Deferred taxation	**(73)**	29
	(317)	(84)

Income tax is calculated at the applicable tax rates prevailing in the respective jurisdictions.

6. DIVIDENDS

No dividend was proposed or paid by the Company during the periods ended June 30, 2013 and June 30, 2014 respectively.

7. EARNINGS PER SHARE

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

	Six-month period ended June 30,	
	2014	2013
	US$'million	US$'million
	(unaudited)	(unaudited and unreviewed)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**531**	179

	Six-month period ended June 30,	
	2014	2013
	'million	'million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**10,713.45**	9,894.74
Effect of dilutive potential ordinary shares – incentive shares	**631.58**	631.58
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,345.03**	10,526.32

The number of ordinary shares for basic earnings per share excludes shares held by Chang Yun Holdings Limited and High Zenith Limited under the Company's share incentive schemes.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred US$249 million (2013: US$74 million) on addition of property, plant and equipment.

9. BIOLOGICAL ASSETS

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 June 30, 2014 Thousand heads (unaudited)	At December 31, 2013 Thousand heads (audited)
Live hogs		
– suckling	**1,522**	1,336
– nursery	**2,095**	2,010
– finishing	**6,421**	7,057
Breeding stock	**1,045**	1,047
	11,083	11,450

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 and disease controls, surveys and insurance.

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.

9. BIOLOGICAL ASSETS *(continued)*

Analysed for reporting purposes as:

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Current		
– Live hogs	**1,239**	1,116
Non-current		
– Breeding stock	**213**	204
	1,452	1,320

Fair value measurement

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 vice 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 estimated 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 vice versa.

10. INVENTORIES

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Raw materials	**670**	595
Work in progress	**101**	89
Finished goods	**1,365**	1,124
	2,136	1,808

11. TRADE AND BILLS RECEIVABLES

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Trade receivables	**855**	861
Bills receivables	**7**	9
	862	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 June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Age		
0 to 30 days	**788**	778
31 to 90 days	**65**	79
91 to 180 days	**9**	13
Over 180 days	**—+**	—+
	862	870

\+ Less than US$1 million.

12. TRADE PAYABLES

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Trade payables	**636**	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 ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Age		
0 to 30 days	**597**	756
31 to 90 days	**31**	87
91 to 180 days	**2**	8
Over 180 days	**6**	—
	636	851

13. ACCRUED EXPENSES AND OTHER PAYABLES

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Deposit receipts and deposits received from customers	**142**	196
Accrued staff costs	**336**	342
Payables in respect of acquisition of property, plant and equipment	**86**	78
Sales rebates payables	**121**	105
Insurance payables	**116**	109
Pension liability	**26**	26
Obligations under finance leases	**1**	1
Deferred revenue	**4**	5
Interest payable	**68**	65
Dividend payable to non-controlling interests	**7**	46
Amounts due to associates	**9**	8
Growers payables	**39**	35
Other tax payables	**47**	69
Balance of contingent consideration in respect of acquisition of subsidiaries	**48**	48
Other payables	**217**	163
	1,267	1,296
Analysed for reporting purposes as:		
Current	**1,124**	1,146
Non-current	**143**	150
	1,267	1,296

14. BORROWINGS

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Senior unsecured notes		
6.625% senior unsecured notes due August 2022	**1,021**	1,021
7.750% senior unsecured notes due July 2017	**526**	539
5.250% senior unsecured notes due August 2018	**491**	490
5.875% senior unsecured notes due August 2021	**392**	391
	2,430	2,441
Bank loans (note i)		
Secured	**4,439**	4,300
Unsecured	**609**	612
Loans from third parties (note ii)		
Secured	**1**	1
Unsecured	**2**	2
	7,481	7,356
Bank overdrafts (note iii)	**63**	76
The borrowings other than bank overdrafts are repayable as follows (note iv):		
Within one year	**771**	684
Between one to two years	**588**	306
Between two to five years	**4,706**	4,950
After five years	**1,416**	1,416
	7,481	7,356
Less: Amounts due within one year shown under current liabilities	**(771)**	(684)
Amounts due after one year	**6,710**	6,672
Total borrowings:		
At fixed rates	**2,864**	2,887
At floating rates	**4,617**	4,469
	7,481	7,356

14. BORROWINGS *(continued)*

Notes:

(i) Fixed rate bank loans carry interest ranging from 2.03% to 6% per annum at June 30, 2014 (December 31, 2013: from 1.48% to 6% per annum). The floating rate bank loans carry interest ranging from London interbank Offered Rate ("LIBOR") +1.6% to LIBOR + 4.5% per annum at June 30, 2014 (December 31, 2013: from LIBOR+1.38% to Warsaw Interbank Offered Rate ("WIBOR") +2.5% per annum).

(ii) Loans from third parties carry interests at fixed rates ranging from 0.6% to 0.9% per annum at June 30, 2014 (December 31, 2013: 0.6% to 0.9% per annum).

(iii) Bank overdrafts at June 30, 2014 are denominated in RMB and carry interest at 5.6% per annum (December 31, 2013: 5.6% per annum).

(iv) 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. It carries interest at LIBOR+3.5% to 4.5% per annum with US$75 million arrangement fee capitalised to the syndicated loan and amortised over the syndicated loan term.

The borrowings as at June 30, 2014 are secured by the Group's pledged bank deposits of US$61 million (December 31, 2013: US$66 million) and the shares of certain subsidiaries held by the Group. As at June 30, 2014 and 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 property, including cash and cash equivalents, deposit accounts, inventories, intellectual property, and certain equity interests.

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of its inventories, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants, during the period.

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS SCHEMES

Defined Benefit Plans

The Group entities which 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.

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

The policy for the plan is consistently applied at December 31, 2013 and June 30, 2014.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at March 31, 2014 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 and key inputs used as at March 31, 2014 for the purposes of the actuarial valuations are validly applied as at June 30, 2014.

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 Mandatory Provident Fund ("MPF") Scheme 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$25,000 per annum (increased to HK$30,000 per annum effective from 1 June 2014). Contributions to the scheme vest immediately.

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS SCHEMES *(continued)*

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$43 million (2013: approximately US$24 million) during the six months ended June 30, 2014, represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. ACQUISITION OF BUSINESS

On April 15, 2014, Kansas City Sausage Company, LLC, an U.S. subsidiary of the Group, entered into a business purchase agreement with several independent third parties, for the purchase of a slaughtering business (mainly comprises of some slaughter facilities) for a consideration of approximately US$11 million.

17. CAPITAL COMMITMENTS

	At June 30, 2014 US$'million (unaudited)	At December 31, 2013 US$'million (audited)
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**244**	127
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**115**	266

18. CONTINGENT LIABILITIES

Smithfield is subject to various laws and regulations administered by the U.S. federal, state and other government entities, including the U.S. Environmental Protection Agency and corresponding state agencies, as well as the U.S. Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the U.S. Food and Drug Administration, the U.S. 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 that Smithfield is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against Smithfield.

18. CONTINGENT LIABILITIES *(continued)*

North Carolina Nuisance Litigation

25 complaints were filed in the Superior Court of Wake County, North Carolina, U.S. by 479 individual plaintiffs against Smithfield and its wholly-owned subsidiary, Murphy-Brown, alleging causes of action for nuisance and related claims. All 25 complaints stem from previously disclosed requests for pre-litigation mediation of farm nuisance disputes filed in Wake County, North Carolina in early July 2013.

On April 15, 2014, an additional request for pre-litigation mediation of farm nuisance dispute was filed against Smithfield and Murphy-Brown in Duplin County, North Carolina on behalf of 35 claimants, at least some of whom appear to be claimants in the Wake County proceedings. The Group believes that the claims are unfounded and intends to defend the suits vigorously.

The Group established a provision estimating the expenses to defend against these and similar potential claims on the condensed consolidated statement of financial position at the date of the Acquisition. Consequently, expenses and other liabilities associated with these claims for subsequent periods will not affect the Group's 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 our 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.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

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

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

	At June 30, 2014			
	Level 1 US$'million (unaudited)	Level 2 US$'million (unaudited)	Level 3 US$'million (unaudited)	Total US$'million (unaudited)
Derivative financial assets	28	11	—	39
Available-for-sale investments	—	161	—	161
Other non-current assets	36	69	—	105
	64	241	—	305
Derivative financial liabilities	176	58	—	234

	At December 31, 2013			
	Level 1 US$'million (audited)	Level 2 US$'million (audited)	Level 3 US$'million (audited)	Total US$'million (audited)
Derivative financial assets	—	6	—	6
Available-for-sale investments	—	151	—	151
Other non-current assets	54	66	—	120
	54	223	—	277
Derivative financial liabilities	15	6	—	21

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (level 1) or using income approach based on discounted cash flow analysis on the quoted market prices of the U.S. Chicago Mercantile Exchange lean hogs future contracts (level 2), as appropriate.

The fair value of available-for-sale investments are determined by using income approach based on discounted cash flow analysis on the expected interest rates (level 2).

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.

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with associates:

	Six-month period ended June 30, 2014 US$'million (unaudited)	2013 US$'million (unaudited and unreviewed)
Sales of goods to associates	**13**	6
Purchase of goods from associates	**35**	24

(b) 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 remuneration of key management personnel, representing emoluments of directors of the Company paid/payable during the period under review is set out as follows:

	Six-month period ended June 30, 2014 US$'million (unaudited)	2013 US$'million (unaudited and unreviewed)
Basic salaries and allowances	**2**	—+
Performance bonus	**5**	—
Retirement benefits scheme contributions	**1**	—+
Share-based payments	**4**	1
	12	1

\+ Less than US$1 million.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to the end of the reporting period:

(i) Listing of the Company's shares and use of proceeds

The Company's shares were listed on the Stock Exchange on August 5, 2014. The Company allotted and issued a total of 2,567,400,000 new ordinary shares of US$0.0001 each to the public at a price of HK$6.20 per share pursuant to a global offering, raised preceeds of approximately HK$15,329 million (equivalent to approximately US$1,975 million), after deducting the underwriting fees and other related expenses payable by the Company in connection with the global offering.

The over-allotment option was exercised on August 6, 2014 for the issue of 385,110,000 shares of the Company at HK$6.20 per share, raised preceeds of approximately HK$2,336 million (equivalent to approximately US$301 million), after deducting the underwriting fees and other related expenses payable by the Company in connection with the global offering.

The net proceeds was used to repay the three-year tranche maturing on August 30, 2016 of the syndicated loan, which has an interest rate of LIBOR plus 3.5% and has an outstanding principal amount of US$2,500 million as at June 30, 2014. The Group applied the net proceeds to this purpose after the completion of the global offering.

(ii) Pre-IPO share option

The pre-IPO share option scheme was adopted pursuant to a written resolution passed by the shareholders of the Company on January 21, 2014 as amended on April 4, 2014, the purpose of which is to incentivise and reward eligible participants of the scheme, including directors, full-time employees of the Company or its subsidiaries by reason of their contribution or potential contribution to the Company and/or any of its subsidiaries.

On July 2014, the number of shares in respect of which options had been granted under the pre-IPO share option scheme was 584,795,555, with the exercise price of HK$6.20 per share, representing no more than 5% of the issued share capital of the Company upon completion of the listing on the Stock Exchange. No consideration was paid by the grantees for the grant of the pre-IPO share options.

The fair value of the pre-IPO share options granted using the Binominal Option Pricing Model was HK$1,883 million (equivalent to approximately US$243 million which was measured by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended June 30, 2014 (six months ended June 30, 2013: Nil).

DISCLOSURE OF INTERESTS

As the Company's shares were not yet listed on the Stock Exchange as at June 30, 2014, none of the interests and short positions in shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) of the Company's directors and chief executive was required to be recorded in the register required to be kept under Section 352 of the SFO, or was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "**Model Code**") for Securities Transactions by Directors as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), as at that date.

Further, none of the interests and short positions in shares, underlying shares or debentures of the Company were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO, as at that date.

DIRECTORS

As at August 5, 2014 (the "**Listing Date**"), the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in shares of the Company

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	4.018%
	Beneficiary of a trust(2)	721,038,814	5.055%
Mr. Guo Lijun	Beneficiary of a trust(3)	61,789,090	0.433%
Mr. Yang Zhijun	Interest in a controlled corporation(4)	245,614,133	1.722%
	Beneficiary of a trust(5)	43,352,023	0.304%
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 deemed 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 underlying shares of the 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	0.9846%
Mr. Guo Lijun	Beneficial interest	40,000,000	0.2694%
Mr. Pope C. Larry	Beneficial interest	40,000,000	0.2694%
Mr. Zhang Taixi	Beneficial interest	40,000,000	0.2694%

Notes:

(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 without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and assuming that all the Pre-IPO Share Options have been exercised in full.

(iii) Interests in associated corporations

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	0.00%

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

SUBSTANTIAL SHAREHOLDERS

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

Interest in the shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding[14]
Rise Grand[1]	Interest in controlled corporation	4,982,991,111	34.936%
Heroic Zone[2]	Beneficial interest	3,181,820,000	22.308%
	Interest in controlled corporation	1,801,171,111	12.628%
CDH Shine	Beneficial interest	1,745,452,290	12.237%
CDH Shine II Limited	Beneficial interest	968,530,000	6.790%
CDH Sunshine Limited[3]	Interest in controlled corporation	968,530,000	6.790%
China Shine Group Limited[4]	Interest in controlled corporation	3,547,954,371	24.875%
CDH PE Fund, L.P.[5]	Interest in controlled corporation	3,547,954,371	24.875%
CDH PE Holdings Company Limited[6]	Interest in controlled corporation	3,547,954,371	24.875%
CDH China Growth Capital Holdings Company Limited[7]	Interest in controlled corporation	3,547,954,371	24.875%
China Diamond Holdings III Limited[8]	Interest in controlled corporation	3,547,954,371	24.875%
CDH V Holdings Company Limited[9]	Interest in controlled corporation	903,056,579	6.331%
CDH Diamond Holdings V Limited[10]	Interest in controlled corporation	903,056,579	6.331%
China Diamond Holdings Company Limited[11]	Interest in controlled corporation	4,451,010,950	31.206%
Ms. Wang Meixiang (王梅香)[12]	Interest of spouse	1,294,138,459	9.073%
	Interest of spouse	146,198,889	0.985%[13]

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 July 18, 2014, 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 owned as to 80% 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 the CDH Shareholders.

12. Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang is deemed to have interest in the 1,294,138,459 Shares which Mr. Wan Long is interested in. In addition, Ms. Wang Meixiang is also deemed to be interested in the 146,198,889 underlying Shares which Mr. Wan Long is interested in.

13. This percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following completion of the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and assuming that all the Pre-IPO Share Options have been exercised in full.

14. The percentage of shareholding in the table is presented without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Option.

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

PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on January 21, 2014 as amended on April 4, 2014.

The following table discloses details of the Company's outstanding share options held by the Directors, the connected persons and certain employees of the Company under the Pre-IPO Share Option Scheme as at the Listing Date.

		Number of Share Options						
Grantee	**Date of Grant**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at Listing Date**	**Exercise Price (HK$)**	**Exercise Period**
Directors								
WAN Long (萬隆)	July 10, 2014	146,198,889	—	—	—	146,198,889	6.20	Note
GUO Lijun (郭麗軍)	July 10, 2014	40,000,000	—	—	—	40,000,000	6.20	Note
POPE C. Larry	July 10, 2014	40,000,000	—	—	—	40,000,000	6.20	Note
ZHANG Taixi (張太喜)	July 10, 2014	40,000,000	—	—	—	40,000,000	6.20	Note
Connected persons								
WAN Hongwei (萬宏偉)	July 10, 2014	2,500,000	—	—	—	2,500,000	6.20	Note
YOU Zhaosheng(游召勝)	July 10, 2014	4,115,966	—	—	—	4,115,966	6.20	Note
LI Xianmu (李現木)	July 10, 2014	5,144,957	—	—	—	5,144,957	6.20	Note
You Mu (游牧)	July 10, 2014	3,674,969	—	—	—	3,674,969	6.20	Note
Lei Yonghui (雷永輝)	July 10, 2014	3,674,969	—	—	—	3,674,969	6.20	Note

Grantee	Date of Grant	Granted	Exercised	Cancelled	Lapsed	As at Listing Date	Exercise Price (HK$)	Exercise Period
		Number of Share Options						
HE Jianmin (賀建民)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
LIU Hongsheng (劉紅生)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
YU Songtao (余松濤)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
PAN Guanghui (潘廣輝)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
ZHAO Sufang (趙朔方)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
CAO Xiaojie (曹曉杰)	July 10, 2014	4,409,963	—	—	—	4,409,963	6.20	Note
LI Jun (李駿)	July 10, 2014	3,674,969	—	—	—	3,674,969	6.20	Note
ZHAO Guobao (趙國寶)	July 10, 2014	1,469,988	—	—	—	1,469,988	6.20	Note
LI Yong (李永)	July 10, 2014	2,939,976	—	—	—	2,939,976	6.20	Note
SONG Hongliang (宋紅亮)	July 10, 2014	2,939,976	—	—	—	2,939,976	6.20	Note
YU Guangshan (芋廣山)	July 10, 2014	2,939,976	—	—	—	2,939,976	6.20	Note
YIN Weihua (尹衛華)	July 10, 2014	2,939,976	—	—	—	2,939,976	6.20	Note
ZHU Longhu (朱龍虎)	July 10, 2014	2,939,976	—	—	—	2,939,976	6.20	Note
CHAI Wenlei (柴文磊)	July 10, 2014	1,469,988	—	—	—	1,469,988	6.20	Note
COLE, Michael H.	July 10, 2014	2,000,000	—	—	—	2,000,000	6.20	Note
SCHELLPEPER, Timothy O.	July 10, 2014	9,000,000	—	—	—	9,000,000	6.20	Note
SEBRING, Joseph B.	July 10, 2014	4,500,000	—	—	—	4,500,000	6.20	Note
SCHMIDT Gregg	July 10, 2014	3,000,000	—	—	—	3,000,000	6.20	Note
MIHAIL Bogdan	July 10, 2014	250,000	—	—	—	250,000	6.20	Note
POPE Christopher L.	July 10, 2014	1,000,000	—	—	—	1,000,000	6.20	Note
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)	July 10, 2014	5,879,951	—	—	—	5,879,951	6.20	Note
Li Hongwei (李紅偉)	July 10, 2014	5,879,951	—	—	—	5,879,951	6.20	Note
Wang Yonglin (王永林)	July 10, 2014	5,879,951	—	—	—	5,879,951	6.20	Note
Fu Zhiyong (付志勇)	July 10, 2014	5,879,951	—	—	—	5,879,951	6.20	Note
Guo Xinwen (郭新聞)	July 10, 2014	5,879,951	—	—	—	5,879,951	6.20	Note
Liu Qingde (劉清德)	July 10, 2014	5,144,957	—	—	—	5,144,957	6.20	Note
Senior management and other employees (in aggregate)	July 10, 2014	197,416,490	—	—	—	197,416,490	6.20	Note

Note:

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.

2010 SHARE AWARD PLAN

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 Holdings Limited ("Chang Yun"), a wholly owned subsidiary of the trustee incorporated in the British Virgin Islands (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, the 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 the 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 Investments Limited ("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 Group Limited ("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 refer to the Company's prospectus.

2013 SHARE AWARD PLAN

To incentivize and attract talent for the further development of the Group following the acquisition of Smithfield, the 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 Limited ("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 Directors of the Company, 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 the Board of Directors. As of July 18, 2014, 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 Holdings Limited ("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 Global Limited ("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 refer to the Company's prospectus.

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

As the Company's shares were not yet listed on the Stock Exchange as at June 30, 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company, on terms no less exacting than the required standards as set out in the Model Code, on July 17, 2014. As the Company's shares were not yet listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as at June 30, 2014, the Model Code was not applicable to the Company for the Review Period. Upon specific enquiries being made with all directors of the Company, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board has adopted the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") on July 17, 2014.

As the Company's shares were not yet listed on the Stock Exchange as at June 30, 2014, the Code was not applicable to the Company for the Review Period. Since the Listing Date, the Company has complied with all the applicable code provisions set out in the Code, save and except for the following deviation:

Code Provision A.2.1 — Chairman and Chief Executive

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wan Long currently holds both positions.

The Board considers that having Mr. Wan acting as both the chairman and chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management of the Company. Further, in view of Mr. Wan's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board considers it is beneficial to the business prospects of the Group that Mr. Wan continues to act as both the chairman and chief executive officer of the Company.

AUDIT COMMITTEE

The Audit Committee consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (chairman), Mr. Huang Ming and Mr. Lau Jin Tin, Don, has reviewed the Group's condensed consolidated financial statements of the Review Period, including the accounting principles adopted by the Group, with the Company's management.

The Company's external auditor has reviewed the interim financial information for the six months ended June 30, 2014 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. Without qualifying its review conclusion, the external auditor draws attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2013 and the relevant explanatory notes disclosed in the condensed consolidated interim financial information have not been reviewed in accordance with HKSRE 2410.

On behalf of the Board

Wan Long
Chairman and Chief Executive Officer

Hong Kong, August 29, 2014