2019 INTERIM REPORT

萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 288

CONTENTS

CORPORATE INFORMATION

Legal Name of the Company
WH Group Limited

Place of Listing and Stock Code
The shares of the Company were listed on the Main Board of the Stock Exchange on August 5, 2014

Stock Code: 288

Company Website
www.wh-group.com

Directors
Executive Directors
Mr. WAN Long (Chairman and Chief Executive Officer)
Mr. WAN Hongjian (Deputy Chairman and Vice President)
Mr. GUO Lijun
(Executive Vice President and Chief Financial Officer)
Mr. SULLIVAN Kenneth Marc
(President and Chief Executive Officer of Smithfield)
Mr. MA Xiangjie (President of Shuanghui Development)

Non-executive Director
Mr. JIAO Shuge

Independent Non-executive Directors
Mr. HUANG Ming
Mr. LEE Conway Kong Wai
Mr. LAU, Jin Tin Don

Company Secretary
Mr. CHAU Ho

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

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

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

Environmental, Social and Governance Committee
Mr. GUO Lijun (Chairman)
Mr. WAN Hongjian
Mr. SULLIVAN Kenneth Marc
Mr. LAU, Jin Tin Don

Food Safety Committee
Mr. WAN Long (Chairman)
Mr. WAN Hongjian
Mr. SULLIVAN Kenneth Marc
Mr. LEE Conway Kong Wai

Risk Management Committee
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. SULLIVAN Kenneth Marc
Mr. MA Xiangjie
Mr. LEE Conway Kong Wai

Auditor
Ernst & Young

Legal Advisor
Paul Hastings

Principal Bankers
Agricultural Bank of China
Bank of America Merrill Lynch
Bank of China
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.
(Rabobank Nederland)
DBS Bank
Industrial and Commercial Bank of China

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
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Cayman Islands

Principal Place of Business and Corporate Headquarters in Hong Kong

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

RESULTS HIGHLIGHTS

	Six months ended June 30, 2019	2018
Key operating data		
Hogs produced (thousand heads)	**10,582**	10,127
Hogs processed (thousand heads)	**28,233**	27,832
Packaged meats sold (thousand metric tons)	**1,610**	1,603

	Six months ended June 30,			
	2019		2018	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated) (unaudited)		US$ million (unless otherwise stated) (unaudited)	
Key financial data				
Revenue	**11,127**	**11,127**	11,169	11,169
EBITDA	**1,032**	**1,163**	1,111	1,049
Operating profit	**765**	**765**	867	867
Profit attributable to owners of the Company	**463**	**569**	557	514
Basic earnings per share (US cents)	**3.15**	**3.87**	3.80	3.50
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Revenue decreased by 0.4%
- Operating profit decreased by 11.8%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 16.9%

MANAGEMENT DISCUSSION AND ANALYSIS

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

Industry Overview

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

China

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

According to the statistics of the National Bureau of Statistics of China, the total production of hogs in the Review Period was 313 million heads, 6.2% lower than the Comparable Period. The total production of pork was 24.7 million tons, a decrease of 5.5% as compared to the Comparable Period. With reference to the statistics published by the MOA, the average hog price during the Review Period was RMB14.3 (approximately US$2.1) per kg, an increase of 16.1% over the Comparable Period.

The industrial trends above showed the overlay effect of the cyclical factor and the outbreak of African Swine Fever ("**ASF**") in various regions since August 2018. Up to the end of the Review Period, over 140 cases of ASF in 31 provinces were reported. The government adopted certain important measures such as immediate culling of infected hogs and restricted transportation of live hogs to control the epidemic. As many hog farmers were adversely affected by the situation, their incentive to replenish stock was lowered. According to information of the MOA, hog inventory at the end of the Review Period decreased by 25.8% from a year ago. The number of breeding sows was reduced by 26.7%. The degree of contraction in hog inventory and number of breeding sows continued to increase during the Review Period. Therefore, market supplies of hogs and pork are expected to be constricted, prices of hog and pork are expected to increase going forward.

The escalation of hog and pork prices increased the attractiveness of imported pork. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork for the Review Period was 26.3% higher than that of the Comparable Period.

U.S.

The U.S. is the second largest producer of pork worldwide. In contrast to the pork industry in China, the pork industry in the U.S. is relatively mature and concentrated. As the U.S. is also the largest pork exporter globally, the hog prices and pork value in the U.S. are driven by the supply and demand of its domestic and export markets.

With reference to the statistics of the USDA, overall animal protein production in the U.S. was up by 2.0% during the Review Period, in which pork rose 4.4%, beef rose 0.8% and chicken rose 1.4%. The increase in pork production volume was the result of expansion in farms and processing capacities. Having said that, the predicted death of hogs and shortage of pork driven by the spread of ASF in China supported the upward movement of prices globally. The average hog price, according to CME, was US$1.15 per kg during the Review Period, an increase of 0.9% over that of the Comparable Period.

With the increase in supply, the industry desired more pork to be marketed internationally. However, the export volume of U.S. pork and offals in the Review Period was down by 4.2% over the Comparable Period, according to the data of the USDA. The decline was mainly caused by the discernible decrease of 19.9% in the export to Mexico as Mexico imposed 20% duty on U.S. pork since mid-2018. Mexican demand for U.S. pork re-established following the removal of such duty in May 2019. Exports to China, on the other hand, recorded an increase of 26.1% during the Review Period. Such increase was resulted from the growth of import demand in China. However, as U.S.-China trade dispute continued, the U.S. was in an unfavorable position to further expand its exports.

Impacted by on-going supply-demand imbalance, the average pork cutout value for the Review Period, as published by the USDA, decreased by 0.6% over the Comparable Period. Such decrease, coupled with the increase in the average hog price during the same time, placed the profitability level of the processors under pressure.

Results of Operations

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

	Six months ended June 30, 2019 US$ million	2018 US$ million	Change %
Revenue[1]			
— Packaged meats	**5,886**	5,901	(0.3)
— Fresh pork	**4,600**	4,589	0.2
— Hog production	**329**	397	(17.1)
— Others[2]	**312**	282	10.6
	11,127	11,169	(0.4)
Operating profit (loss)			
— Packaged meats	**761**	788	(3.4)
— Fresh pork	**103**	93	10.8
— Hog production	**(45)**	22	N/A
— Others[2]	**(54)**	(36)	50.0
	765	867	(11.8)

Notes:

(1) Revenue refers to net external sales.

(2) Others revenue primarily represents sales of ancillary products and services. Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 52.9% (Comparable Period: 52.8%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 99.5% in the Review Period (Comparable Period: 90.9%).

Geographically, our operations in China contributed 33.7% and 55.4% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 32.8% and 54.7%). Contribution of our operations in the U.S. to the revenue and operating profit of the Group in the Review Period were 57.9% and 38.4% (Comparable Period: 58.7% and 38.1%), respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended June 30,		
	2019	2018	Change
	US$ million	US$ million	%
Revenue			
China	**1,732**	1,762	(1.7)
U.S.	**3,744**	3,733	0.3
Europe	**410**	406	1.0
	5,886	5,901	(0.3)
Operating profit			
China	**288**	367	(21.5)
U.S.	**446**	394	13.2
Europe	**27**	27	—
	761	788	(3.4)

In the Review Period, our packaged meats sales volume slightly increased by 0.4% to 1,610 thousand metric tons. In China, sales volume in the Review Period was similar to that of the Comparable Period as consumer market slowed down and we raised prices proactively. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Sales volume in the U.S. was down by 0.2% during the Review Period as we consciously reduced the products with lower profitability. In Europe, our sales volume increased benefiting from organic growth and recent acquisitions.

Revenue during the Review Period mildly decreased by 0.3% to US$5,886 million. Revenue in China reported a decrease due to currency translation. Its revenue in RMB in fact increased by 4.4% as a result of price and product mix adjustments. In the U.S., revenue was flat as compared to the Comparable Period because the impact of the increase in average selling price ("**ASP**") outweighed the reduction in sales volume. The major reasons for the increase of ASP were the improvement in product mix and the rise of meat value, which drove up the price of the products that applied formula pricing. In Europe, revenue in the Review Period increased slightly. Regardless of currency change, we achieved growth in both volume and ASP.

Operating profit was US$761 million in the Review Period, 3.4% lower than that in the Comparable Period. In China, operating profit declined substantially as the impact of unfavourable costs structure outpaced the benefit of the price adjustment. During the Review Period, the costs of raw material such as pork and chicken meat rose significantly. To support our price and product mix adjustments, expenditures in marketing and promotions were also higher. In the U.S., the increase in operating profit was driven by product mix improvement as we were migrating our sales volumes to high value-added categories, along with the savings being brought by our "One SAP" initiative. Although higher wages and distribution costs countervailed part of the increase in our operating profit in the U.S., we achieved a record high in the Review Period. In Europe, our operating profit stayed flat as compared to the Comparable Period because the increase in sales was offset by higher costs and negative foreign exchange impact. Our operating objective is to accelerate growth in Europe by continuous volume expansion and efficiency enhancement.

Fresh Pork

	Six months ended June 30,		
	2019	2018	Change
	US$ million	US$ million	%
Revenue			
China	**1,851**	1,772	4.5
U.S.	**2,400**	2,462	(2.5)
Europe	**349**	355	(1.7)
	4,600	4,589	0.2
Operating profit (loss)			
China	**125**	95	31.6
U.S.	**(15)**	(15)	—
Europe	**(7)**	13	N/A
	103	93	10.8

In response to the shifts in demand and supply and the resulting movements in hog prices, we regulate our levels of slaughtering activity and adjust our meat prices in each respective market from time to time in order to maximise the profits.

Total number of hogs processed in the Review Period was 28,233 thousand heads, an increase of 1.4% over that of Comparable Period. The increase was mainly contributed by our slaughtering business in China as the number of hogs processed there rose by 3.7% to 8,578 thousand heads. During the Review Period, we took advantage of our widely established production and logistics facilities to seize the opportunity of the relatively low hog prices before Chinese New Year to expand our production scale and sales channels. However, as the impact of ASF manifested gradually, our volume was constrained by the reduction in market supplies of live hog and softening in demand. Our processing volume in the U.S. and Europe were similar to that of the Comparable Period, as market fundamentals remained weak in the Review Period.

External sales volume of fresh pork was 2,162 thousand metric tons, 6.0% less than the level in the Comparable Period as we adjusted our operating strategies in light of the changing market dynamics. Fresh pork revenue remained stable at US$4,600 million in the Review Period as the growth in China was offset by the decline in the U.S. and Europe. Revenue in China increased by 4.5% from that of the Comparable Period because the impact of the upward-trending pork prices surpassed the decrease in sales volume. In the U.S., revenue was down by 2.5% was primarily due to sales volume decreased.

Our operating profit of fresh pork increased from US$93 million in the Comparable Period to US$103 million in the Review Period. In China, we achieved considerable growth of 31.6% as our slaughtering scale and gross profit margin expanded prominently in the first half of the Review Period. In the U.S., our performance was the same during the Review Period and the Comparable Period. Such results revealed the impact of the adverse operating conditions, including the high hog costs as a result of the expectations on the ASF situation in China, the low pork value due to oversupply and trade disruptions, as well as the high production costs driven up by wages increase. Although part of these unfavorable factors was offset by our effective hedges, we recorded an operating loss of US$15 million. In Europe, our operating loss was primarily due to increase in raw material costs and decrease in sale prices.

Hog Production

	Six months ended June 30, 2019 US$ million	2018 US$ million	Change %
Revenue			
China	**2**	4	(50.0)
U.S.	**302**	362	(16.6)
Europe	**25**	31	(19.4)
	329	397	(17.1)
Operating profit (loss)			
China	**(7)**	1	N/A
U.S.	**(62)**	1	N/A
Europe	**24**	20	20.0
	(45)	22	N/A

In the Review Period, hog production volume increased by 4.5% to 10,582 thousand heads. Revenue from hog production decreased by 17.1% to US$329 million. An operating loss of US$45 million was recorded (Comparable Period: operating profit of US$22 million). The operating loss in China was mainly due to the acceleration of production to prevent ASF and the increase in the associated bio-security costs. In the U.S., we turned profit into loss, which was mainly driven by better hedging results in the Comparable Period.

Others

In addition to packaged meats, fresh pork and hog production, the Group also engages in certain other businesses which are ancillary to our three primary operating segments. Such other businesses include slaughtering and sales of poultry, manufacturing and sales of packaging materials, provision of logistics services, operation of finance companies and a chain of retail grocery stores, production of flavoring ingredients and natural casings, as well as sales of biological pharmaceutical materials. During the Review Period, revenue generated by our other businesses amounted to US$312 million, an increase of 10.6% as compared to the Comparable Period. Our logistics business in China and poultry business in Europe and China made a respectable contribution to our other businesses. Our logistics business currently owns 21 logistics centers across 14 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely. Our poultry business processed approximately 58 million heads of broiler and turkey during the Review Period. The growth of poultry business is an integral part of our strategy in protein diversification.

Analysis of Capital Resources

Treasury Management

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

Liquidity

The Group continues to maintain an adequate level of liquidity. We had bank balances and cash of US$358 million as at June 30, 2019 (as at December 31, 2018: US$525 million), which were held primarily in RMB, US$, PLN and RON. From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as current financial assets at fair value through profit or loss. As at June 30, 2019, the balance was US$432 million (as at December 31, 2018: US$317 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at June 30, 2019 (as at December 31, 2018: 1.6 times). The aggregate amount of unutilised banking facilities as at June 30, 2019 was US$2,903 million (as at December 31, 2018: US$2,893 million).

Cash Flows

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

In the Review Period, our net cash from operating activities amounted to US$399 million (Comparable Period: US$134 million). The increase in cash inflow mainly revealed the fact that although inventory increased, we strengthened our management in payables and the proceeds from settlements of financial derivatives also increased. Our net cash used in investing activities in the Review Period amounted to US$540 million (Comparable Period: US$487 million). The increase in cash outflow was mainly driven by the completion of the acquisition of Pini Polonia (as defined hereinafter). Our net cash used in financing activities in the Review Period amounted to US$1 million (Comparable Period: US$365 million). The decrease in outflow was mainly associated with the movements in borrowings and dividends paid to shareholders of the Company. After all, our net decrease in cash and cash equivalents was US$142 million in the Review Period (Comparable Period: net decrease of US$718 million).

Major Financing Activities

On April 1, 2019, the Group completed the issuance of 5.200% senior unsecured notes with an aggregate principal amount of US$400 million due 2029 to refinance part of its existing debts and replenish working capital.

In the Comparable Period, our Group established a commercial paper program of up to US$1,750 million for short-term liquidity needs. As at June 30, 2019, our outstanding balance of commercial paper was US$75 million in aggregate (as at December 31, 2018: US$236 million).

Debt Profile

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

	At June 30, 2019 US$ million	At December 31, 2018 US$ million
Borrowings by nature		
Senior unsecured notes	2,185	1,788
Bank borrowings	1,228	1,051
Commercial paper	75	236
Loans from third parties	3	3
Bank overdrafts	17	41
	3,508	3,119
Borrowings by geographical region		
U.S.	2,555	2,362
China	767	621
Europe	186	136
	3,508	3,119

The Group's total principal amount of outstanding borrowings as at June 30, 2019 was US$3,529 million (as at December 31, 2018: US$3,134 million). The maturity profile is analysed as follows:

	As a % of total borrowings
In 2019	16%
In 2020	23%
In 2021	13%
In 2022	12%
In 2023	8%
In 2027	17%
In 2029	11%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 74.5% of our borrowings were denominated in US$ as at June 30, 2019 (as at December 31, 2018: 78.8%). The rest of our borrowings was denominated in RMB, HK$, RON, PLN and Euro.

As at June 30, 2019, 94.6% of our borrowings were unsecured (as at December 31, 2018: 88.0%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the Review Period.

Leverage Ratios

As at June 30, 2019, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 39.0% and 35.0%, respectively (as at December 31, 2018: 37.1% and 30.8%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA as at June 30, 2019, before biological fair value adjustments) were 1.7 times and 1.6 times, respectively (as at December 31, 2018: 1.5 times and 1.2 times, respectively).

Finance Costs

Our finance costs were US$70 million in the Review Period, 27.3% higher than that of the Comparable Period. The increase was mainly due to the increase in amount and extension in average maturity of our borrowings, as well as the finance cost in relation to the lease recognised upon the application of IFRS 16.

As at June 30, 2019, the average interest rate of our total borrowings was 3.7% (as at December 31, 2018: 3.5%).

Credit Profile

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

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

Human Resources

We continued with our focus on talent management and employee engagement. As at June 30, 2019, we had approximately 108 thousand employees in total, of which approximately 53 thousand employees were with our China operation, approximately 40 thousand and 15 thousand employees were with our U.S. and European operations respectively. The Group provides training programs to the employees with a view to constantly improving their skills and knowledge. It is also our policy to ensure that remuneration for employee, is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses in the Review Period amounted to US$1,833 million (Comparable Period: US$1,755 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement benefits schemes.

Biological Assets

As at June 30, 2019, we had a total of 13,556 thousand hogs, consisting of 12,447 thousand live hogs and 1,109 thousand breeding stock, an increase of 4.2% from 13,009 thousand hogs as at December 31, 2018. We also had a total of 6,382 thousand poultry, consisting of 5,758 thousand broilers and 624 thousand breeding stock. The fair value of our biological assets was US$1,236 million as at June 30, 2019, as compared to US$1,094 million as at December 31, 2018.

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

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$105 million, as compared to a loss in the amount of US$44 million in the Comparable Period.

Key Investment Interests

Internal Restructuring

On January 25, 2019, three major subsidiaries of the Company, namely Shuanghui Group, Shuanghui Development and Rotary Vortex, entered into a merger agreement (the "**Internal Restructuring**"). The purpose of the Internal Restructuring is to enhance our governance by simplifying the holding structure and reducing the amount of connected transactions of the Group. We expect that the Internal Restructuring will be completed within the year. Upon completion, Shuanghui Group will cease operation and be deregistered. Its assets, liabilities, employees, contracts and other rights and obligations will be transferred to Shuanghui Development. No material financial impact on the Group will result.

Acquisition of Subsidiaries

On May 28, 2019, the Group completed the purchase of the remaining interest of 66.5% in Pini Polonia Sp. z o.o. ("**Pini Polonia**") and converted it into an indirect wholly-owned subsidiary of the Group. Pini Polonia operates a hog slaughterhouse in Poland with an annual production capacity of approximately 4 million hogs. The completion of the acquisition of Pini Polonia enabled us to expand our scale and improve our efficiency in the fresh pork market in Poland.

During the Comparable Period, the Group completed the purchase of 100% equity interest of two Romanian packaged meats companies, Elit SRL and Vericom 2001 SRL, so as to strengthen our profitability and leading position in the packaged meats market in Romania.

Mexican Joint Ventures

The Group has joint venture interests in two pork companies located in Mexico, GCM and Norson. GCM sells live hogs into the Mexico City market, one of the largest pork consumption markets in the world. Norson primarily produces hogs for use in its fresh pork operations. During the Review Period, share of profit from these Mexican joint ventures was US$5 million (Comparable Period: US$15 million). To further increase our processing capacity in Mexico, GCM opened a new and advance slaughtering facility. As at June 30, 2019, GCM and Norson had in aggregate approximately 153 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

Capital Expenditures

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

Capital expenditures amounted to US$272 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended June 30,	
	2019	2018
	US$ million	US$ million
China	**42**	40
U.S.	**178**	248
Europe	**52**	38
	272	326

During the Review Period, our capital expenditures in China were mainly for the alternation of our packaged meats facilities. Our capital expenditures in the U.S. were primarily related to the modernisation of our slaughtering plants. Besides, we also invested in a joint-venture partnering with Roselein Alternative Energy to own, operate and maintain renewable biogas facilities on or near our hog farms. This is one of the long term projects that will contribute to our environmental, social and governance ("**ESG**") goals. Our capital expenditures in Europe were mainly for the building of a new poultry plant.

Key Risks and Their Management

Risk Management

The Board has the ultimate responsibility for oversight of the risk management and internal control systems of the Group. The Board has delegated oversight to the Risk Management Committee and Audit Committee to oversee the Group's risk management and internal control systems respectively on an ongoing basis, and conduct reviews of the effectiveness of the Group's risk management and internal control systems, as well as to resolve material internal control defects. The aforementioned systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Commodities Price Risk

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

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

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at June 30, 2019, approximately 80.5% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at December 31, 2018: 77.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

Contingent Liabilities

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relation to compliance from time to time. In some instances, litigation ensues and individuals may initiate litigation against the Group. Details and updates on the North Carolina nuisance litigation is set out in Note 18 to the interim financial information of the report. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

Sustainability

Sustainability is an important area of the Group's governance framework. The Board has established an ESG Committee at the Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee conducted review on the key ESG risks and its risk mitigation controls faced by the Group, as well as approved the 2018 Sustainability Report of the Group.

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

In 2018, the Group has become a constituent of the Hang Seng Corporate Sustainability Benchmark Index, in recognition of the Group's outstanding performance in sustainability.

Outlook

The operating landscape, affected by economic growth, consumers' preference, industry cycle and epidemics, is always impacting our business. Under the overlay pressure of the wide-spread of ASF and unstable geopolitical situation nowadays, we anticipate the greatest challenge in China is the continuously soaring hog prices as a result of growing supply shortage which will push down our packaged meats margin. The greatest challenge in the U.S. is the on-going over-abundant supply of meats which will suppress our fresh pork profitability.

Against this backdrop, we will adjust our operating strategy to pave way for solid performance and sustainable growth. In China, we are making every endeavor to prevent and control ASF to provide customers with safe and high-quality products. We also take the opportunity of industry consolidation to expand the establishment of network so as to enlarge fresh pork operation scale. In order to overcome the pressure of higher costs in packaged meats, we substantially increase sales prices, implement technology and production process innovations, strengthen day-to-day management, as well as strive to accelerate the transformation of product portfolio by developing new products and deploying marketing innovations. In the U.S., we continue to capitalize on our strength in the value chain. We work diligently to carry on the good momentum in the development of our packaged meats to further enhance the profitability. Simultaneously, we speed up the modernization of fresh meat business to uplift operational efficiency. We adjust our export strategy to expand sales channels and improve margin.

A strong packaged meats business, coupled with the advantages of being vertically integrated and geographically diversified, enable us to remain resilient even in a challenging and uncertain environment. We believe that we will contribute to the sustainable development of the Company, solidify its global leadership and create long lasting value for its shareholders, employees and communities by relentlessly pursuing the appropriate strategies.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

EY 安永

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

Introduction

We have reviewed the interim financial information set out on pages 21 to 62, which comprises the condensed consolidated statement of financial position of WH Group Limited (the "Company") and its subsidiaries as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

13 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2019

		For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Notes	Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)	Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)
Revenue	3	11,127	–	11,127	11,169	–	11,169
Cost of sales		(8,967)	302	(8,665)	(8,905)	77	(8,828)
Gross profit		2,160	302	2,462	2,264	77	2,341
Distribution and selling expenses		(1,017)	–	(1,017)	(1,035)	–	(1,035)
Administrative expenses		(381)	–	(381)	(376)	–	(376)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		–	(172)	(172)	–	(90)	(90)
Loss arising from changes in fair value less costs to sell of biological assets		–	(2)	(2)	–	(49)	(49)
Other income		33	–	33	64	–	64
Other gains and (losses)		(3)	–	(3)	(28)	–	(28)
Other expenses		(40)	–	(40)	(18)	–	(18)
Finance costs		(70)	–	(70)	(55)	–	(55)
Share of profits of associates		1	–	1	6	–	6
Share of profits of joint ventures		2	3	5	15	–	15
PROFIT BEFORE TAX	4	685	131	816	837	(62)	775
Taxation	5	(120)	(26)	(146)	(176)	18	(158)
PROFIT FOR THE PERIOD		565	105	670	661	(44)	617

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

For the six months ended June 30, 2019

		For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Note	**Results before biological fair value adjustments US$'million (Unaudited)**	**Biological fair value adjustments US$'million (Unaudited)**	**Total US$'million (Unaudited)**	Results before biological fair value adjustments US$'million (Unaudited)	Biological fair value adjustments US$'million (Unaudited)	Total US$'million (Unaudited)
Other comprehensive income (expense) for the period:							
Items that may be reclassified subsequently to profit or loss							
– exchange differences arising on translation of foreign operations				**8**			(100)
– fair value change in cash flow hedge				**214**			16
Other comprehensive income (expense) for the period, net of tax				**222**			(84)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**892**			533
Profit for the period attributable to:							
– owners of the Company				**569**			514
– non-controlling interests				**101**			103
				670			617
Total comprehensive income for the period attributable to:							
– owners of the Company				**790**			439
– non-controlling interests				**102**			94
				892			533
EARNINGS PER SHARE							
– Basic	7			**US3.87 cents**			US3.50 cents
– Diluted	7			**US3.85 cents**			US3.47 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Notes	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**5,427**	5,300
Right-of-use assets		**559**	—
Prepaid lease payments		**—**	175
Biological assets	9	**148**	147
Goodwill		**1,961**	1,847
Intangible assets		**1,723**	1,734
Interests in associates		**63**	150
Interests in joint ventures		**214**	202
Other receivables		**43**	40
Financial assets at fair value through profit or loss		**9**	7
Pledged bank deposits		**5**	4
Deferred tax assets		**56**	57
Other non-current assets		**192**	175
Total non-current assets		**10,400**	9,838
CURRENT ASSETS			
Properties under development	8	**35**	30
Prepaid lease payments		**—**	5
Biological assets	9	**1,088**	947
Inventories	10	**2,605**	2,022
Trade and bills receivables	11	**1,012**	1,135
Prepayments, other receivables and other assets		**454**	358
Taxation recoverable		**36**	67
Financial assets at fair value through profit or loss		**432**	317
Pledged/restricted bank deposits		**33**	54
Bank balances and cash		**358**	525
Total current assets		**6,053**	5,460
CURRENT LIABILITIES			
Trade payables	12	**749**	977
Accrued expenses and other payables	13	**1,388**	1,428
Lease liabilities/Obligations under finance leases		**100**	2
Taxation payable		**31**	61
Borrowings	14	**1,299**	819
Bank overdrafts	14	**17**	41
Total current liabilities		**3,584**	3,328

Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2019

	Notes	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
NET CURRENT ASSETS		2,469	2,132
TOTAL ASSETS LESS CURRENT LIABILITIES		12,869	11,970
NON-CURRENT LIABILITIES			
Other payables	13	195	214
Lease liabilities/Obligations under finance leases		281	23
Borrowings	14	2,192	2,259
Deferred tax liabilities		712	598
Deferred revenue		11	10
Pension liability and other retirement benefits	15	488	448
Total non-current liabilities		3,879	3,552
NET ASSETS		8,990	8,418
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		8,286	7,745
Equity attributable to owners of the Company		8,287	7,746
Non-controlling interests		703	672
TOTAL EQUITY		8,990	8,418

The interim financial information on pages 21 to 62 were approved and authorised for issue by the Board of Directors on August 13, 2019 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million	Other reserve US$'million (Note (b))	Statutory surplus reserve US$'million (Note (c))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At January 1, 2019 (Audited)	1	2,934	(74)	(190)	924	268	3,883	7,746	672	8,418
Profit for the period	–	–	–	–	–	–	569	569	101	670
Exchange differences arising on translation of foreign operations	–	–	–	7	–	–	–	7	1	8
Fair value changes in cash flow hedge	–	–	–	–	214	–	–	214	–	214
Total comprehensive income for the period	–	–	–	7	214	–	569	790	102	892
Acquisition of additional interests in subsidiaries	–	–	(1)	–	–	–	–	(1)	(2)	(3)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	3	3
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(73)	(73)
Dividend	–	–	–	–	–	–	(282)	(282)	–	(282)
Share-based payments	–	–	–	–	6	–	–	6	1	7
Issue of shares upon exercise of share options	–*	40	–	–	(12)	–	–	28	–	28
Lapse of share options	–	–	–	–	(1)	–	1	–	–	–
	–*	40	(1)	–	(7)	–	(281)	(249)	(71)	(320)
At June 30, 2019 (Unaudited)	1	2,974	(75)	(183)	1,131	268	4,171	8,287	703	8,990
At January 1, 2018 (Audited)	1	2,921	(69)	(30)	904	238	3,480	7,445	777	8,222
Profit for the period	–	–	–	–	–	–	514	514	103	617
Exchange differences arising on translation of foreign operations	–	–	–	(91)	–	–	–	(91)	(9)	(100)
Fair value changes in cash flow hedge	–	–	–	–	16	–	–	16	–	16
Total comprehensive income (expense) for the period	–	–	–	(91)	16	–	514	439	94	533
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(156)	(156)
Dividend	–	–	–	–	–	–	(411)	(411)	–	(411)
Share-based payments	–	–	–	–	12	–	–	12	1	13
Issue of shares upon exercise of share options	–*	13	–	–	(4)	–	–	9	–	9
	–*	13	–	–	8	–	(411)	(390)	(155)	(545)
At June 30, 2018 (Unaudited)	1	2,934	(69)	(121)	928	238	3,583	7,494	716	8,210

* Less than US$1 million.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2019

Notes:

(a) Capital reserve

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

(b) Other reserve

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

(c) Statutory surplus reserve

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019

	Six months ended June 30, 2019 US$'million (Unaudited)	2018 US$'million (Unaudited)
Net cash from operating activities	**399**	134
INVESTING ACTIVITIES		
Interest received	**1**	2
Dividend received from associates	**—**	2
Purchases of property, plant and equipment	**(272)**	(326)
Proceeds from disposal of property, plant and equipment	**2**	8
Net cash outflow on acquisition of subsidiaries	**(115)**	(59)
Net cash outflow on acquisition of equity interests in joint ventures	**(22)**	—
Purchase of financial assets at fair value through profit or loss	**(411)**	(399)
Proceeds from disposal of financial assets at fair value through profit or loss	**307**	267
Placement of pledged/restricted bank deposits	**(15)**	(21)
Withdrawal of pledged/restricted bank deposits	**34**	39
Insurance claims on property, plant and equipment	**5**	—
Settlement of contingent considerations	**(2)**	—
Construction of assets to be sold	**(55)**	—
Proceeds from disposal of other assets	**16**	—
Purchases of other assets	**(13)**	—
Net cash used in investing activities	**(540)**	(487)
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	**(355)**	(548)
Proceeds from borrowings, net of transaction costs	**1,786**	2,799
Repayment of borrowings	**(1,404)**	(2,615)
Net cash outflow on acquisition of additional interests in subsidiaries	**(5)**	(7)
Proceeds from issue of shares	**28**	9
Capital contributed by non-controlling interests	**3**	—
Payment of lease liabilities/Repayment of obligation under finance leases	**(54)**	(3)
Net cash used in financing activities	**(1)**	(365)
Net decrease in cash and cash equivalents	**(142)**	(718)
Cash and cash equivalents at beginning of period	**484**	1,279
Effect of foreign exchange rate changes	**(1)**	(27)
Cash and cash equivalents at end of period	**341**	534
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**358**	655
Bank overdrafts	**(17)**	(121)
	341	534

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2019

1. Corporate Information and Basis of Preparation

WH Group Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. Its immediate holding company is Heroic Zone Investments Limited ("Heroic Zone") which is incorporated in the British Virgin Islands while its ultimate holding company is Rise Grand Group Limited, also incorporated in the British Virgin Islands.

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

The functional currency of the Company is United States Dollar ("US$"), as the majority of the Group's revenue is generated in US$, which is the currency of the primary economic environment in which the Group's major operating subsidiaries operate.

The interim financial information for the six months ended June 30, 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets, which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell and certain financial instruments which are measured at fair value. This financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with *International Financial Reporting Standards* ("IFRSs") issued by the IASB, except for adoption of the new and revised IFRSs as disclosed in note 2 below.

2. Changes in Accounting Policies

The Group has adopted the following new and revised IFRSs for the first time for the current period's interim financial information.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

2. Changes in Accounting Policies (Continued)

Except for IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, other amendments and interpretations do not have significant impact on the unaudited interim financial information of the Group.

The nature and the impact of adoption of IFRS 16 *Leases* are described below:

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

2. Changes in Accounting Policies (Continued)

IFRS 16 *Leases* (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of building, machinery, motor vehicles and contract farm. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for short-term leases (elected by class of underlying asset).

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and were separately disclosed in the condensed consolidated statement of financial position.

The right-of-use assets amounting to US$369 million were recognised on January 1, 2019 based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at January 1, 2019. The remaining right-of-use assets amounted to US$19 million were recognised and measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. Prepaid lease payments of US$180 million previously identified as operating leases and certain property, plant and equipment of US$25 million recognised previously under finance leases were reclassified to right-of-use assets at January 1, 2019. All these assets were assessed for any impairment based on IAS 36 on that date and presented as "Right-of-use assets" in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at January 1, 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

2. Changes in Accounting Policies (Continued)

IFRS 16 *Leases* (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition *(Continued)*

The effect of adoption IFRS 16 as at January 1, 2019 is as follows:

	Increase/ (decrease) US$'million
Assets	
Right-of-use assets	593
Prepaid lease payments	(180)
Property, plant and equipment	(25)
Prepayments, other receivables and other assets	(5)
Total assets	383
Liabilities	
Lease liabilities	385
Accrued expenses and other payables	(2)
Total liabilities	383

2. Changes in Accounting Policies (Continued)

IFRS 16 *Leases* (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition *(Continued)*

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 are as follows:

	US$'million
Operating lease commitments as at December 31, 2018	394
Weighted average incremental borrowing rate as at January 1, 2019	4.0%
Discounted operating lease commitments at January 1, 2019	358
Add:	
Present value of lease payments relating to leases previously classified as finance leases	25
Lease liabilities as at January 1, 2019	383

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. Changes in Accounting Policies (Continued)

IFRS 16 *Leases* (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group determines at the commencement date the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group adopted the interpretation from January 1, 2019 retrospectively. The interpretation did not have any significant impact on the Group's interim financial information.

3. Segment Information

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

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

(i)	Packaged meats	—	represents production, wholesale and retail sales of low temperature and high temperature meat products.
(ii)	Fresh pork	—	represents slaughtering, wholesale and retail sales of fresh and frozen meat.
(iii)	Hog production	—	represents hog farming.
(iv)	Others	—	represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics, sales of flavouring ingredients and internally-produced packaging materials, as well as operating finance companies, retail business and biopharmaceuticals, retail of meat related products, and corporate expenses incurred by the Group.

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

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

Inter-segment revenue 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, 2019				
	Packaged meats US$'million (Unaudited)	Fresh pork US$'million (Unaudited)	Hog production US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China					
Gross segment revenue	1,732	2,221	19	319	4,291
Less: Inter-segment revenue	–	(370)	(17)	(159)	(546)
Revenue	1,732	1,851	2	160	3,745
Reportable segment profit (loss)	288	125	(7)	19	425
United States					
Gross segment revenue	3,745	3,769	1,500	–*	9,014
Less: Inter-segment revenue	(1)	(1,369)	(1,198)	–*	(2,568)
Revenue	3,744	2,400	302	–*	6,446
Reportable segment profit (loss)	446	(15)	(62)	(75)	294
Europe					
Gross segment revenue	431	559	328	190	1,508
Less: Inter-segment revenue	(21)	(210)	(303)	(38)	(572)
Revenue	410	349	25	152	936
Reportable segment profit (loss)	27	(7)	24	2	46
Total					
Gross segment revenue	5,908	6,549	1,847	509	14,813
Less: Inter-segment revenue	(22)	(1,949)	(1,518)	(197)	(3,686)
Revenue#	5,886	4,600	329	312	11,127
Reportable segment profit (loss)	761	103	(45)	(54)	765
Net unallocated losses					(13)
Biological fair value adjustments					131
Finance costs					(70)
Share of profits of associates					1
Share of profits of joint ventures					2
Profit before tax					816

* Less than US$1 million.

3. Segment Information (Continued)

	For the six months ended June 30, 2018				
	Packaged meats US$'million (Unaudited)	Fresh pork US$'million (Unaudited)	Hog production US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China					
Gross segment revenue	1,762	2,173	29	274	4,238
Less: Inter-segment revenue	–	(401)	(25)	(143)	(569)
Revenue	1,762	1,772	4	131	3,669
Reportable segment profit	367	95	1	11	474
United States					
Gross segment revenue	3,735	3,791	1,489	–	9,015
Less: Inter-segment revenue	(2)	(1,329)	(1,127)	–	(2,458)
Revenue	3,733	2,462	362	–	6,557
Reportable segment profit (loss)	394	(15)	1	(50)	330
Europe					
Gross segment revenue	427	618	317	198	1,560
Less: Inter-segment revenue	(21)	(263)	(286)	(47)	(617)
Revenue	406	355	31	151	943
Reportable segment profit	27	13	20	3	63
Total					
Gross segment revenue	5,924	6,582	1,835	472	14,813
Less: Inter-segment revenue	(23)	(1,993)	(1,438)	(190)	(3,644)
Revenue#	5,901	4,589	397	282	11,169
Reportable segment profit (loss)	788	93	22	(36)	867
Net unallocated income					4
Biological fair value adjustments					(62)
Finance costs					(55)
Share of profits of associates					6
Share of profits of joint ventures					15
Profit before tax					775

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

3. Segment Information (Continued)

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

Geographical information

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

4. Profit Before Tax

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

	Six months ended June 30,	
	2019	2018
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**217**	212
Depreciation of right-of-use assets	**56**	—
Amortisation of intangible assets included in administrative expenses	**4**	4
Release of prepaid lease payments	**—**	3
Write-down of inventories included in cost of sales	**12**	43
Impairment loss recognised in respect of property plant and equipment	**6**	1
Impairment loss recognised in respect of intangible assets	**8**	—
Net allowance on trade receivables	**1**	1
Lease expenses/minimum lease payments under operating leases	**38**	66
Research and development expenses	**66**	46
Staff costs (excluding directors' remuneration)	**1,821**	1,742
Loss on disposal of property, plant and equipment	**6**	4
Fair value gain on financial assets at fair value through profit or loss	**(13)**	(3)

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

5. Taxation

	Six months ended June 30,	
	2019	2018
	US$'million	US$'million
	(Unaudited)	(Unaudited)
China income tax	**73**	103
U.S. income tax	**32**	54
Other income taxes	**3**	13
Withholding tax	**12**	27
Deferred taxation	**26**	(39)
	146	158

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

6. Dividends

At the Company's annual general meeting held on May 28, 2019, the shareholders of the Company approved the payment of a final dividend of HK$0.15 per share (year ended December 31, 2017: HK$0.22 per share) of the Company for the year ended December 31, 2018, as recommended by the Board, which was paid in cash to the shareholders of the Company on June 21, 2019, whose names appeared on the register of members of the Company on June 3, 2019.

The Board declared an interim dividend of HK$0.05 per share for the six months ended June 30, 2019 (six months ended June 30, 2018: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on August 27, 2019. The dividend is to be paid in cash to the shareholders of the Company on or about October 4, 2019.

7. Earnings Per Share

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

	Six months ended June 30, 2019 US$'million (Unaudited)	2018 US$'million (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**569**	514

	Six months ended June 30, 2019 million shares (Unaudited)	2018 million shares (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,691.64**	14,674.17
Effect of dilutive potential ordinary shares: share options	**90.46**	126.29
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,782.10**	14,800.46

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

During the six months ended June 30, 2019, the Group incurred US$281 million (six months ended June 30, 2018: US$299 million) on the additions of items of property, plant and equipment.

During the six months ended June 30, 2019, the Group incurred US$5 million (six months ended June 30, 2018: US$5 million) on the additions to properties under development.

9. Biological Assets

Nature of the Group's agricultural activities

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

	June 30, 2019 Head ('000) (Unaudited)	December 31, 2018 Head ('000) (Audited)
Live hogs		
— suckling	**1,986**	1,757
— nursery	**2,254**	2,122
— finishing	**8,207**	8,010
	12,447	11,889
Breeding stock (hogs)	**1,109**	1,120
	13,556	13,009
Broilers	**5,758**	3,990
Breeding stock (poultry)	**624**	525
	6,382	4,515

9. Biological Assets (Continued)

Nature of the Group's agricultural activities (Continued)

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

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

Carrying value of the Group's biological assets

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

Analysed for reporting purpose as:

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Current	**1,088**	947
Non-current	**148**	147
	1,236	1,094

Fair value measurement

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

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

10. Inventories

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Raw materials	700	733
Work in progress	119	99
Finished goods	1,786	1,190
	2,605	2,022

11. Trade and Bills Receivables

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Trade receivables	1,016	1,137
Impairment	(13)	(12)
	1,003	1,125
Bills receivable	9	10
	1,012	1,135

The general credit terms allowed by the Group to its customers vary depending on the sales channels and customers.

11. Trade and Bills Receivables (Continued)

The following is an ageing analysis of the trade and bills receivables, net of loss allowance, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Current to 30 days	894	957
31 to 90 days	106	178
91 to 180 days	12	—*
	1,012	1,135

* Less than US$1 million.

12. Trade Payables

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Trade payables	749	977

The credit terms on purchases of goods vary depending on the vendors. The Group has financial risk management policies in place to ensure that the payables are paid within the credit timeframe.

12. Trade Payables (Continued)

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

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Within 30 days	**731**	923
31 to 90 days	**13**	40
91 to 180 days	**3**	7
181 to 365 days	**2**	7
	749	977

13. Accrued Expenses and Other Payables

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Accrued staff costs	**340**	373
Deposits received	**110**	104
Sales rebates payables	**199**	238
Payables in respect of acquisition of property, plant and equipment	**76**	110
Insurance payables	**138**	135
Accrued interest	**29**	25
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	11
Accrued growers payments	**39**	41
Pension liability	**14**	14
Amounts due to associates	**10**	11
Derivative financial instruments	**13**	14
Dividend payable	**6**	10
Contract liabilities	**168**	161
Other accrued expenses	**276**	268
Other payables	**155**	127
	1,583	1,642
Analysed for reporting purposes as:		
Current liabilities	**1,388**	1,428
Non-current liabilities	**195**	214
	1,583	1,642

14. Borrowings

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Senior unsecured notes		
2.700% senior unsecured notes due January 2020	399	399
2.650% senior unsecured notes due October 2021	398	397
3.350% senior unsecured notes due February 2022	398	397
4.250% senior unsecured notes due February 2027	595	595
5.200% senior unsecured notes due April 2029	395	—
	2,185	1,788
Commercial papers (Note i)	75	236
Bank loans (Note ii)		
Secured	186	374
Unsecured	1,042	677
Loans from third parties (Note iii)		
Secured	1	1
Unsecured	2	2
Total borrowings	3,491	3,078
Bank overdrafts (Note iv)	17	41
The borrowings other than bank overdrafts are repayable as follows (Note v):		
Within one year	1,299	819
One to two years	79	451
Two to five years	1,121	1,211
After five years	992	597
	3,491	3,078
Less: Amounts due within one year shown under current liabilities	(1,299)	(819)
Amounts due after one year	2,192	2,259

14. Borrowings (Continued)

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Total borrowings other than bank overdrafts:		
At fixed rates	2,810	2,370
At floating rates	681	708
	3,491	3,078

Notes:

i. In May 2018, the Group established a new commercial paper program to issue short-term notes. The program allows the Group to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, the Group pays a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The maturities of the issued papers may vary, but may not exceed 397 days from the date of issuance. The issuance of commercial papers has the effect of reducing available liquidity by an amount equal to the principal outstanding amount of the commercial papers. Maximum issuance capacity under the program is US$1,750 million.

ii. Fixed rate bank loans carry interest at fixed rates ranging from 2.25% to 5.70% per annum (December 31, 2018: from 2.25% to 5.70%) and floating rates ranging from WIBOR + 0.5% to the U.S. Prime + 0.375% per annum at June 30, 2019 (December 31, 2018: WIBOR + 0.5% to the U.S. Prime + 0.375%).

iii. Loans from third parties carry interest at fixed rate of 0.90% per annum at June 30, 2019 (December 31, 2018: 0.90% per annum).

iv. Bank overdrafts at June 30, 2019 carry interest at floating rates at 3.92% per annum (December 31, 2018: 3.92% per annum).

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

Certain borrowings as at June 30, 2019 are secured by the Group's pledged bank deposits of US$3 million (December 31, 2018: US$3 million).

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the six months ended June 30, 2019 and the year ended December 31, 2018.

14. Borrowings (Continued)

Smithfield Receivables Funding, LLC, a wholly-owned subsidiary of the Group, has a securitisation facility that will mature in November 2021. As part of the arrangement, certain trade receivables are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the condensed consolidated financial statements of the Group and therefore, the trade receivables owned by the SPV are included in the condensed consolidated statement of financial position of the Group. However, trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield if Smithfield were to become insolvent. As at June 30, 2019, the SPV held US$658 million (December 31, 2018: US$835 million) of trade receivables and had no outstanding borrowings on the securitisation facility. No financial or other support to this SPV was provided by the Group as at June 30, 2019 and December 31, 2018.

15. Pension Liability and Other Retirement Benefits

Defined Benefit Plans

Pension benefits provided by the Group are currently organised primarily through Company sponsored defined benefit pension plans which cover the majority of the 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.

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

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

The policy for the plans are consistently applied at December 31, 2018 and June 30, 2019.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2018 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.

15. Pension Liability and Other Retirement Benefits (Continued)

Defined Contribution Plans

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

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

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

The amount charged to profit or loss of approximately US$46 million during the six months ended June 30, 2019 (six months ended June 30, 2018: US$48 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. Business Combinations

Step acquisition of Pini Polonia sp. z o.o.

On May 28, 2019, the Group satisfied all conditions precedent under the share purchase agreement for the acquisition of 66.5% equity interest of Pini Polonia sp. z o.o. ("Pini Polonia"). Along with the 33.5% equity interest acquired on July 28, 2017, Pini Polonia became a wholly owned subsidiary of the Group. The results of Pini Polonia are consolidated into the Group's financial statements commencing from the acquisition date (i.e., May 28, 2019).

The Group accordingly remeasured the fair value of its pre-existing interest in Pini Polonia at the date of acquisition and recognised the resulting loss of less than US$1 million on the remeasurement of the Group' pre-existing interest in Pini Polonia to acquisition date fair value.

Details of the carrying value and fair value of the Group's pre-existing interest in Pini Polonia at the date of acquisition are summarised as follows:

	US$'million
Share of net assets	84
Less: Fair value of pre-existing interest	(84)
Loss on remeasurement	—*

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

* Less than US$1 million.

16. Business Combinations (Continued)

Step acquisition of Pini Polonia sp. z o.o. (Continued)

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

	Fair value recognised on acquisition US$'million
Property, plant and equipment	105
Inventories	9
Trade and bills receivables	59
Prepayments, other receivables and other assets	13
Bank balances and cash	1
Trade payables	(65)
Accrued expenses and other payables	(2)
Taxation payable	(3)
Deferred tax liabilities	(15)
Other liabilities	(16)
Total identifiable net assets at fair value	86
Goodwill	110
	196
Satisfied by:	
Cash	112
Fair value of pre-existing interest	84
	196

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

16. Business Combinations (Continued)

Step acquisition of Pini Polonia sp. z o.o. (Continued)

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

	US$'million
Cash consideration	(112)
Bank balances and cash acquired	1
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(111)
Transaction costs paid during the year included in cash flows from operating activities	(1)
	(112)

Since the completion of acquisition, Pini Polonia contributed US$22 million to the Group's revenue and US$1 million to the consolidated profit before tax for the period ended June 30, 2019.

Had the acquisition of Pini Polonia taken place at the beginning of the year, the revenue and the consolidated profit before tax of the Group would have been US$11,333 million and US$816 million, respectively.

16. Business Combinations (Continued)

Information on prior year acquisition

On January 9, 2018, the Group acquired from an independent third party for the entire equity interest in two Romanian companies, Elit S.R.L. and Vericom 2001 S.R.L. ("Elit and Vericom"). The acquisition was made as part of the Group's strategy to increase profitability in branded packaged meats and strengthen their leading position in the packaged meats market in Romania.

The fair values of the identifiable assets and liabilities of the acquisition as at the date of acquisition were as follows:

	Fair value recognised on acquisition US$'million
Property, plant and equipment	36
Intangible assets	26
Inventories	5
Trade and bills receivables	8
Prepayments, other receivables and other assets	—*
Bank balances and cash	7
Trade payables	(3)
Accrued expenses and other payables	(3)
Deferred tax liabilities	(7)
Other liabilities	(13)
Total identifiable net assets at fair value	56
Goodwill	28
Satisfied by cash	84

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

* Less than US$1 million.

16. Business Combinations (Continued)

Information on prior year acquisition (Continued)

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

	US$'million
Cash consideration	(84)
Bank balances and cash acquired	7
Outstanding consideration at the end of the reporting period	18
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(59)
Transaction costs paid during the year included in cash flows from operating activities	(1)
	(60)

Since the acquisition, Elit and Vericom contributed US$42 million to the Group's revenue and US$2 million to the consolidated profit before tax for the six months ended June 30, 2018.

The revenue and profit of the Group for the six months ended June 30, 2018 would remain unchanged as the acquisition of Elit and Vericom had taken place at the beginning of the year.

17. Capital Commitments

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

	June 30, 2019 US$'million (Unaudited)	December 31, 2018 US$'million (Audited)
Contracted but not provided for, in the interim financial information in respect of:		
Capital contribution to a joint venture	**123**	125
Acquisition of property, plant and equipment	**141**	94

18. Contingent Liabilities

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

North Carolina Nuisance Litigation

In August, September and October 2014, 25 complaints were filed in the United States District Court for the Eastern District of North Carolina by 515 individual plaintiffs against the Group's wholly owned subsidiary, Murphy-Brown LLC ("Murphy-Brown"), alleging causes of action for nuisance and related claims. The complaints stemmed from the nuisance cases previously filed in the Superior Court of Wake County. Subsequent to this initial filing, certain plaintiffs joined the complaints and in response Murphy Brown has filed its answers and affirmative defense, all the complaints were amended pursuant to the Court's order and some plaintiffs dismissed their claims during the process of discovery. As of December 31, 2017, there were 26 currently pending complaints which included claims on behalf of 511 plaintiffs and relate to approximately 14 company-owned and 75 contract farms. All 26 complaints include causes of action for temporary nuisance and negligence and seek recovery of an unspecified amount of compensatory, special and punitive damages.

In December 2017, an order was issued by the United States District Court for the Eastern District of North Carolina setting a date for the first trial, April 2, 2018, and establishing the protocol for all subsequent trials. These trials related to 5 of the 26 complaints and a total of 82 plaintiffs.

On April 26, 2018, a verdict was reached in favor of ten plaintiffs in the first trial. For each plaintiff, the jury awarded US$75,000 in compensatory damages and US$5 million in punitive damages. As North Carolina law limits punitive damages to the greater of three times compensatory damages or US$250,000, the court reduced the amount the jury awarded to each plaintiff for punitive damages to US$250,000, resulting in a total award of US$3.25 million for the ten plaintiffs combined. The Group has appealed the verdict of the first trial to the United States Court of Appeals for the Fourth Circuit.

On June 29, 2018, a verdict was reached in favor of two plaintiffs in the second trial. For each plaintiff, the jury awarded US$65,000 in compensatory damages and US$12.5 million in punitive damages. As a result of the limit on punitive damages, the court reduced the amount the jury awarded to each plaintiff for punitive damages to US$250,000, resulting in a total award of US$630,000 for the two plaintiffs combined. The Group has appealed the verdict of the second trial to the United States Court of Appeals for the Fourth Circuit.

On August 3, 2018, a verdict was reached in favor of six plaintiffs in the third trial. For each plaintiff, the jury awarded approximately US$3.9 million in compensatory damages and US$75 million in punitive damages. As a result of the limit on punitive damages, the court reduced the amount the jury awarded to each plaintiff for punitive damages to US$11.75 million, resulting in a total award of US$94 million for the six plaintiffs combined. The Group has appealed the verdict of the third trial to the United States Court of Appeals for the Fourth Circuit.

18. Contingent Liabilities (Continued)

North Carolina Nuisance Litigation (Continued)

On December 13, 2018 a verdict was reached in favor of eight plaintiffs in the fourth trial. However, unlike all the previous trials, the damages awarded in this trial were limited to compensatory damages only and varied per plaintiff. In total, compensatory damages awarded were US$102,400; which comprised of US$100 awards for four of the plaintiffs, US$1,000 each to two plaintiffs, US$25,000 to one plaintiff and US$75,000 to the last plaintiff. The court denied, as a matter of law, the plaintiffs' claim for punitive damages.

On March 7, 2019 a verdict was reached in favor of ten plaintiffs in the fifth trial. The jury awarded US$33,000 in compensatory damages and US$67,000 in punitive damages to two of the ten plaintiffs, US$10,000 in compensatory damages and US$20,000 in punitive damages to seven of the plaintiffs, and US$3,000 in compensatory damages and US$7,000 in punitive damages to one plaintiff. The Group will file a post-trial motion seeking a reduction in the award and if denied, will appeal the verdict of the fifth trial to the United States Court of Appeals for the Fourth Circuit.

On June 3, 2019, the United States District Court for the Eastern District of North Carolina issued an order staying the litigation in its entirety pending the resolution of Murphy-Brown's Fourth Circuit appeal of the verdict in the first trial.

The Group continues to believe that the claims of the plaintiffs are unfounded and is defending these suits vigorously.

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in the Group's annual financial statements for the year ended December 31, 2018. The Group established a provision for the estimated expenses to defend against these and similar potential claims, which was subsequently re-evaluated.

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

19. Fair Value Measurement of Financial Instruments

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

The fair values of non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and the management of the Company has assessed that the fair values of non-current financial assets and financial liabilities approximately to their carrying amount. The Group's own non-performance risk for non-current financial liabilities as at June 30, 2019 was assessed to be insignificant.

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

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

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

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

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

19. Fair Value Measurement of Financial Instruments (Continued)

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

	At June 30, 2019			
	Level 1 US$'million (Unaudited)	**Level 2 US$'million (Unaudited)**	**Level 3 US$'million (Unaudited)**	**Total US$'million (Unaudited)**
Financial assets at fair value through profit or loss	**—**	**9**	**432**	**441**
Derivative financial assets	**146**	**40**	**1**	**187**
Other non-current assets	**35**	**96**	**24**	**155**
	181	**145**	**457**	**783**
Derivative financial liabilities	**36**	**8**	**5**	**49**

	At December 31, 2018			
	Level 1 US$'million (Audited)	Level 2 US$'million (Audited)	Level 3 US$'million (Audited)	Total US$'million (Audited)
Financial assets at fair value through profit or loss	—	7	317	324
Derivative financial assets	12	6	1	19
Other non-current assets	29	70	22	121
	41	83	340	464
Derivative financial liabilities	7	10	4	21

Financial assets at fair value through profit or loss included (a) unlisted investments in equity securities of which fair values are determined by income approach based on discounted cash flow analysis on the expected interest rates (Level 2), and (b) unlisted financial products of which fair values are determined based on significant unobservable inputs (Level 3) including expected rate of return of 3.9% to 5.3% (December 31, 2018: 4.0% to 5.3%).

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

19. Fair Value Measurement of Financial Instruments (Continued)

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

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

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended June 30, 2019.

Movements in fair value measurement within Level 3

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

	Financial assets at fair value through profit or loss US$'million	Derivative financial instruments US$'million	Other non-current assets US$'million
At January 1, 2018	—	—	23
Total gain (loss) recognised in profit or loss included in other gains and (losses)	15	(3)	—
Purchases	951	—	—
Disposals	(626)	—	(1)
Currency realignment	(23)	—	—
At December 31, 2018	317	(3)	22
Total gain (loss) recognised in profit or loss included in other gains and (losses)	13	(2)	2
Purchases	411	—	—
Disposals	(307)	1	—
Currency realignment	(2)	—	—
At June 30, 2019	432	(4)	24

19. Fair Value Measurement of Financial Instruments (Continued)

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

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

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

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

As at June 30, 2019

	Gross amounts of recognised financial assets US$'million (Unaudited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million (Unaudited)	Related amounts not set off in the consolidated statement of financial position: Cash collateral US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	146	(36)	110	–	(38)	72

	Gross amounts of recognised financial liabilities US$'million (Unaudited)	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million (Unaudited)	Related amounts not set off in the consolidated statement of financial position: Cash collateral US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	36	(36)	–	–	–	–

19. Fair Value Measurement of Financial Instruments (Continued)

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

As at December 31, 2018

	Gross amounts of recognised financial assets US$'million (Audited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Financial collateral US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position: Cash collateral US$'million (Audited)	Net amount US$'million (Audited)
Derivatives	12	(7)	5	—	9	14

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

20. Related Party Transactions

(a) The Group had the following significant transactions with associates/joint ventures during both periods:

	Six months ended June 30,	
	2019	2018
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Sales of goods to associates	**3**	3
Sales of goods to joint ventures	**6**	6
Purchase of goods from associates	**18**	28
Purchase of goods from joint ventures	**32**	10

(b) Compensation of key management personnel of the Group

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

	Six months ended June 30,	
	2019	2018
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Director fees	**—***	—*
Basic salaries and allowances	**6**	5
Performance bonuses	**13**	10
Retirement benefits scheme contributions	**—***	—*
Share-based payments	**3**	8
Total compensation paid to key management personnel	**22**	23

* Less than US$1 million.

OTHER INFORMATION

Interim Dividend

The Board has recommended the payment of an interim dividend of HK$0.05 per Share (2018: HK$0.05 per Share) for the six months ended June 30, 2019 (the "**2019 Interim Dividend**"), representing a total payment of approximately HK$736 million (equivalent to approximately US$94 million) (2018: approximately HK$734 million, equivalent to approximately US$93 million) to the Shareholders. The 2019 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on August 27, 2019 on or about Friday, October 4, 2019. The register of members of the Company was closed from Wednesday, August 28, 2019 to Friday, August 30, 2019, both days inclusive, during which period no transfer of shares would be registered. To ensure their entitlement to the 2019 Interim Dividend, Shareholders were reminded to lodge their transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms not later than 4:30 p.m. on Tuesday, August 27, 2019 for registration with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Disclosure of Interests

Directors

As at June 30, 2019, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Interest in a controlled corporation(1)(2)	2,085,842,774(L)	14.18%
	Beneficiary of a trust(3)	974,753,158(L)	6.63%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Beneficiary of a trust(4)	76,144,602(L)	0.52%
	Beneficial owner	100,000(L)	0.00%
Mr. Ma Xiangjie	Beneficiary of a trust(5)	16,113,357(L)	0.11%
	Interest of spouse(6)	3,000(L)	0.00%

Notes:

(1) Mr. Wan Long owned Sure Pass as to 100%, which in turn owned 573,099,645 Shares. Accordingly, Mr. Wan Long was deemed to be interested in the 573,099,645 Shares held by Sure Pass. Mr. Wan Long owned Xing Tong Limited as to 100%. Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 22.03% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 1,161,865,796 Shares which Heroic Zone was interested in by virtue of his interest in Xing Tong Limited.

(2) Mr. Wan Long was provisionally awarded 350,877,333 Shares under the 2013 Share Award Plan on April 28, 2017. The vesting of the aforementioned 350,877,333 Shares pursuant to the terms and conditions set out in the relevant award notice and under the rules of the 2013 Share Award Plan was completed on June 28, 2019.

(3) Mr. Wan Long was one of the participants of the Heroic Zone Share Plan, through which he held approximately 18.48% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long was deemed to be interested in the 974,753,158 Shares which Heroic Zone was interested in.

(4) Mr. Guo Lijun was one of the participants of the Heroic Zone Share Plan, through which he held approximately 1.44% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun was deemed to be interested in the 76,144,602 Shares which Heroic Zone was interested in.

(5) Mr. Ma Xiangjie was one of the participants of the Heroic Zone Share Plan, through which he held approximately 0.31% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Mr. Ma Xiangjie was deemed to be interested in the 16,113,357 Shares which Heroic Zone was interested in.

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

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

(ii) Interests in underlying shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Underlying Shares subject to the Pre-IPO Share Options	Approximate Percentage of Shareholding[1]
Mr. Wan Long	Beneficial owner	146,198,889(L)	0.96%
Mr. Guo Lijun	Beneficial owner	40,000,000(L)	0.26%
Mr. Sullivan Kenneth Marc	Beneficial owner	12,000,000(L)	0.08%
Mr. Ma Xiangjie	Beneficial owner	9,922,417(L)	0.07%

Notes:

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

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

(iii) Interests in associated corporations

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

Notes:

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

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

Save as disclosed above, as at June 30, 2019, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at June 30, 2019, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Rise Grand[(1)]	Interest in controlled corporation	5,274,991,111[(L)]	35.86%
Mr. He Xingbao[(1)]	Trustee	5,274,991,111[(L)]	35.86%
Mr. Zhang Liwen[(1)]	Trustee	5,274,991,111[(L)]	35.86%
Mr. Zhao Yinzhang[(1)]	Trustee	5,274,991,111[(L)]	35.86%
Heroic Zone[(2)]	Beneficial owner	3,473,820,000[(L)]	23.61%
	Interest in controlled corporation	1,801,171,111[(L)]	12.25%
Xing Tong Limited[(3)]	Beneficiary of a trust	1,161,865,796[(L)]	7.90%
Ms. Wang Meixiang[(4)]	Interest of spouse	3,208,294,821[(L)]	21.81%

Notes:

(1) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,274,991,111 Shares held by Heroic Zone. As of June 30, 2019, the beneficial interest of Rise Grand was owned by 252 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated June 13, 2016, 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 Zhang Liwen, (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 HSP participants. The ESC has been composed of five members since its establishment. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure — Shareholding Changes — Shareholding Structure at Beginning of Track Record Period" of the Prospectus.

(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 was 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", "History, Development and Corporate Structure — Shareholding Changes — Shareholding Changes During Track Record Period — High Zenith" of the Prospectus and the section headed "Other Information — 2013 Share Award Plan" of this report.

(3) Xing Tong Limited was one of the participants of the Heroic Zone Share Plan, through which it owned approximately 22.03% of the beneficial interest in Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong Limited was deemed to be interested in the 1,161,865,796 Shares which Heroic Zone was interested in.

(4) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 3,208,294,821 Shares which Mr. Wan Long was interested in.

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

Save as disclosed above, as at June 30, 2019, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 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 and their movements during the Review Period:

		Number of Pre-IPO Share Options						
Grantee	Date of Grant	As at January 1, 2019	Exercised	Cancelled	Lapsed	As at June 30, 2019	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
SULLIVAN Kenneth Marc	July 10, 2014	12,000,000	–	–	–	12,000,000	6.20	Note
MA Xiangjie (馬相傑)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
Connected persons								
ZHANG Taixi (張太喜)	July 10, 2014	40,000,000	–	–	–	40,000,000	6.20	Note
YOU Mu (游牧)	July 10, 2014	3,674,969	–	–	–	3,674,969	6.20	Note
WAN Hongwei (萬宏偉)	July 10, 2014	2,500,000	–	–	–	2,500,000	6.20	Note
LI Xianmu (李現木)	July 10, 2014	5,144,957	800,000	–	–	4,344,957	6.20	Note
LEI Yonghui (雷永輝)	July 10, 2014	3,174,969	1,500,000	–	–	1,674,969	6.20	Note
HE Jianmin (賀建民)	July 10, 2014	2,859,963	–	–	–	2,859,963	6.20	Note
LIU Hongsheng (劉紅生)	July 10, 2014	4,409,963	1,000,000	–	–	3,409,963	6.20	Note
YU Songtao (余松濤)	July 10, 2014	3,009,963	–	–	–	3,009,963	6.20	Note
PAN Guanghui (潘廣輝)	July 10, 2014	2,425,963	–	–	–	2,425,963	6.20	Note
ZHAO Sufang (趙朔方)	July 10, 2014	4,309,963	300,000	–	–	4,009,963	6.20	Note

Grantee	Date of Grant	Number of Pre-IPO Share Options As at January 1, 2019	Exercised	Cancelled	Lapsed	As at June 30, 2019	Exercise Price (HK$)	Exercise Period
CAO Xiaojie (曹曉杰)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
LI Jun (李駿)	July 10, 2014	2,356,469	–	–	–	2,356,469	6.20	Note
ZHAO Guobao (趙國寶)	July 10, 2014	1,029,988	–	–	–	1,029,988	6.20	Note
LI Yong (李永)	July 10, 2014	2,399,976	1,400,000	–	–	999,976	6.20	Note
SONG Hongliang (宋紅亮)	July 10, 2014	2,939,976	1,000,000	–	–	1,939,976	6.20	Note
CHAI Wenlei (柴文磊)	July 10, 2014	1,469,988	528,000	–	–	941,988	6.20	Note
QIAO Haili (喬海莉)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
WANG Yufen (王玉芬)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
LIU Songtao (劉松濤)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
COLE, Michael H.	July 10, 2014	2,000,000	–	–	–	2,000,000	6.20	Note
SEBRING, Joseph B.	July 10, 2014	4,500,000	–	1,350,000	3,150,000	–	6.20	Note
SCHMIDT Gregg	July 10, 2014	3,000,000	–	–	–	3,000,000	6.20	Note
HE Shenghua (賀聖華)	July 10, 2014	1,500,000	–	–	–	1,500,000	6.20	Note
THAMODARAN Dhamu R.	July 10, 2014	7,000,000	–	–	–	7,000,000	6.20	Note
CHAU Ho (周豪)	July 10, 2014	3,500,000	–	–	–	3,500,000	6.20	Note

Grantee	Date of Grant	Number of Pre-IPO Share Options As at January 1, 2019	Exercised	Cancelled	Lapsed	As at June 30, 2019	Exercise Price (HK$)	Exercise Period
Pre-IPO Share Options to subscribe for 4,500,000 Shares or more								
POPE C. Larry	July 10, 2014	39,990,000	12,740,000	–	–	27,250,000	6.20	Note
WEN Guoshan (溫國山)	July 10, 2014	3,234,451	1,470,000	–	–	1,764,451	6.20	Note
LI Hongwei (李紅偉)	July 10, 2014	3,234,451	220,000	–	–	3,014,451	6.20	Note
WANG Yonglin (王永林)	July 10, 2014	5,149,951	900,000	–	–	4,249,951	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	990,000	–	–	4,889,951	6.20	Note
LIU Qingde (劉清德)	July 10, 2014	2,864,957	–	–	–	2,864,957	6.20	Note
Senior management and other employees (in aggregate)	July 10, 2014	**110,980,013**	**12,214,500**	**1,498,694**	**2,327,443**	**94,939,376**	6.20	Note
Total		**518,676,886**	**35,062,500**	**2,848,694**	**5,477,443**	**475,288,249**		

Notes:

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

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

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

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

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

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

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, a wholly owned subsidiary of the trustee incorporated in the BVI, obtained 631,580,000 Shares, representing 6.00% of the Company's then enlarged issued share capital. The pool of Shares held by Chang Yun comprised (i) 10,526 Shares of a par value of US$1.00 per share that were transferred indirectly from Shine B to the trustee, which were then subdivided into 105,260,000 Shares and (ii) 526,320,000 Shares allotted and issued by the Company in consideration of US$52,632 paid by the trustee.

Under the 2010 Share Award Plan, 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, Wan Hongjian and Ma Xiangjie 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, Wan Hongjian and Ma Xiangjie, 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, 12,631,599 Shares and 34,736,901 Shares, respectively, depending on the actual performances of the Company from 2012 to 2014. The notifications also required each of the recipients to agree to provide, upon being awarded any Shares under the 2010 Share Award Plan, an irrevocable undertaking authorizing Heroic Zone to exercise the voting rights of any awarded Shares. Each of the recipients, including but not limited to Messrs. Guo Lijun, Wan Hongjian and Ma Xiangjie, confirmed and agreed to the requirements of the notifications. We currently expect that all awarding conditions under the 2010 Share Award Plan will be achieved and all relevant Shares will be awarded ultimately.

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

The 2010 Share Award Plan will terminate on November 26, 2020 or any earlier date determined by our Board. For more details about the share awards made under the 2010 Share Award Plan, please refer to the 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, 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, 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 advisors 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.

Mr. Wan Long was provisionally awarded 350,877,333 Shares ("**the Awarded Shares**") under the 2013 Share Award Plan on April 28, 2017. The vesting of the Awarded Shares pursuant to the terms and conditions set out in the relevant award notice and under the rules of the 2013 Share Award Plan was completed on June 28, 2019 by way of transfer of the entire interest in High Zenith.

High Zenith was 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. Following completion of the aforementioned vesting, High Zenith has undertaken to continue to exercise the voting rights in respect of the Awarded Shares in accordance with the direction given by the Company from time to time. On June 28, 2019, 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 was terminated on June 28, 2019 upon determination by the Board of Directors.

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

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

Directors' Securities Transactions

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

On May 31, 2019, Mr. Guo Lijun made a gift of 100% of the equity interests in Luohe Jiaxin Investment Co., Ltd.* (漯河嘉昕投資有限公司), which indirectly held 1,899,000 Shares, to his son, Mr. Guo Jiaxing, without first notifying in writing the Chairman and receiving a dated written acknowledgement as required by the Model Code and the Code of Conduct. Mr. Guo Lijun promptly notified the Chairman and obtained a dated written acknowledgement as soon as he became aware of the non-compliance out of an inadvertent mistake. In order to avoid similar non-compliance by the Directors in the future, the Company reminded all the Directors of the required standards set out in the Model Code and the Code of Conduct. In addition to periodic reminders, the Company will also provide the Directors with updates on any changes to the Model Code and the Code of Conduct in order to ensure compliance and enhance their awareness of good corporate governance practices.

Corporate Governance Practices

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

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

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wan Long currently holds both positions.

The Company considers that having Mr. Wan Long 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 Long'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 Long continues to act as both the Chairman and Chief Executive Officer of the Company.

* *For identification purposes only*

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

Changes in the information of Directors since the date of the 2018 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Huang Ming ceased to be an independent non-executive director of Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) in May 2019; and

(ii) Mr. Huang Ming ceased to be a professor of finance at China Europe International Business School (中歐國際工商學院) in June 2019.

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

Audit Committee

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

On behalf of the Board
Wan Long
Chairman of the Board and Chief Executive Officer

Hong Kong, August 13, 2019

GLOSSARY

"2010 Share Award Plan"	the share award plan adopted by the Company on November 26, 2010, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed Chang Yun to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarised in the section headed "Other Information — 2010 Share Award Plan"
"2013 Share Award Plan"	the share award plan adopted by the Company on October 23, 2013, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed High Zenith to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarised in the section headed "Other Information — 2013 Share Award Plan"
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chang Yun"	Chang Yun Holdings Limited (運昌控股有限公司) a limited liability company incorporated under the laws of the BVI on April 12, 2010 and one of the Controlling Shareholders
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CME"	Chicago Mercantile Exchange, Inc.
"Code of Conduct"	the code of conduct regarding securities transactions by the Directors adopted by the Company
"Company"	WH Group Limited (萬洲國際有限公司), a limited liability company incorporated under the laws of the Cayman Islands the Shares of which are listing on the Main Board of the Stock Exchange
"Comparable Period"	the period from January 1, 2018 to June 30, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix

"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"ESG Committee"	the environmental, social and governance committee of the Board
"EUR"	the Euro, the lawful currency of the member states of the European Union
"Food Safety Committee"	the food safety committee of the Board
"GCM"	Granjas Carroll de Mexico S. de R.L. de C.V., a Mexican hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in GCM as a joint venture as of June 30, 2019
"Group", "our Group", "our", "we", "us" or "WH Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Heroic Zone"	Heroic Zone Investments Limited (雄域投資有限公司), a limited liability company incorporated under the laws of the BVI on July 23, 2007 and one of the Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated December 25, 2009, revised on December 17, 2012 and July 11, 2016 respectively, under which a group of employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on September 6, 2013 and one of the Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDR"	long-term foreign-currency issuer default rating
"kg"	kilogram
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	August 5, 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange

Glossary (Continued)

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"MOA"	the Ministry of Agriculture of Rural Affairs of the Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Norson"	Norson Holding, S. de R.L. de C.V., a Mexican meat products manufacturer and hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in Norson as a joint venture as of June 30, 2019
"PLN"	Polish Zloty, the lawful currency of the Republic of Poland
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on January 21, 2014 as amended on April 4, 2014, for the benefit of any Director, employee, advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Other Information — Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Prospectus"	the prospectus of the Company in relation to the Listing dated July 24, 2014
"Review Period"	the period from January 1, 2019 to June 30, 2019
"Rich Matrix"	Rich Matrix Global Limited (裕基環球有限公司), a limited liability company incorporated under the laws of the BVI on September 9, 2013 and one of the Controlling Shareholders
"Rise Grand"	Rise Grand Group Limited (興泰集團有限公司), a BVI Business Company incorporated under the laws of the BVI on July 3, 2007 and one of the Controlling Shareholders
"Risk Management Committee"	the risk management committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"RON"	Romanian Leu, the lawful currency of Romania

"Rotary Vortex"	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong on February 28, 2006 and an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shine B"	Shine B Holding I Limited, which was a limited liability company incorporated under the laws of BVI on March 20, 2006 until it was officially dissolved on July 8, 2015, and a former Shareholder of the Company
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on October 15, 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC, and as the context may require, all or any of its subsidiaries
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRc on August 29, 1994 and an indirect wholly-owned subsidiary of the Company
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on July 25, 1997 and an indirect wholly owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on September 25, 2013 and one of the Controlling Shareholders

Glossary (Continued)

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USDA"	United States Department of Agriculture
"US$"	United States dollars, the lawful currency of the United States
"US cent"	one-hundredth of one US$