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WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

	2022		2021	
Packaged meats sold (thousand metric tons)	3,344		3,320	
Pork sold (thousand metric tons)	4,019		4,362	
	2022		2021	
	Results before biological fair value adjustments US\$ million (unless otherwise stated)	Results after biological fair value adjustments US\$ million (unless otherwise stated)	Results before biological fair value adjustments US\$ million (unless otherwise stated)	Results after biological fair value adjustments US\$ million (unless otherwise stated)
Revenue	28,136	28,136	27,293	27,293
EBITDA	3,157	3,103	2,476	2,518
Operating profit	2,093	2,093	1,966	1,966
Profit attributable to owners of the Company	1,401	1,370	1,043	1,068
Basic earnings per Share (US cents)	10.92	10.68	7.37	7.55
Dividend per Share (HK\$)				
Interim (paid)	0.05	0.05	0.05	0.05
Final	0.25	0.25	0.14	0.14
	0.30	0.30	0.19	0.19

- Sales volume of packaged meats increased by 0.7%.
- Sales volume of pork decreased by 7.9%.
- Revenue increased by 3.1%; Operating profit increased by 6.5%.
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 34.3%.
- Basic earnings per Share, before biological fair value adjustments, increased by 48.2%.

The board (the “**Board**”) of directors (the “**Directors**”) of WH Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022.

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

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

The Group is a leading global pork company with operations in multiple geographical regions. In 2022, our business in the People’s Republic of China (“**China**”) contributed 33.9% of the revenue and 49.7% of the operating profit of the Group (2021: 38.5% and 47.3% respectively). Meanwhile, our businesses in the United States of America (the “**U.S.**”) and the United Mexican States (“**Mexico**”) accounted for 56.0% of the revenue and 44.9% of the operating profit of the Group (2021: 52.0% and 46.7% respectively). The rest of the revenue and operating profit of the Group was primarily derived from our business in Europe. As the pork industry in each of the above regions is characterised distinctively but also co-related to each other to a certain extent, market dynamics of China, the U.S. and Europe are important to the results of our Group.

China

China is the largest pork producer and consumption market in the world. Supplies of pork in China are largely dependent on the availability of agricultural resources, government policies, regulatory environment, animal epidemics and production technology. Given the importance of pork in the Chinese diet, demand has always been stable and strong. As China continues to experience economic growth and improvement of people’s living standards, demand for high-quality pork products is expected to expand further. For short-term trend, it is mainly driven by industry cycles and near-term events.

According to the National Bureau of Statistics of China, the total production of hogs in 2022 was 700 million heads, 4.3% higher than 671 million heads in 2021. The total production volume of pork was 55.4 million tons, an increase of 4.5% as compared to 53.0 million tons in the previous year. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of People’s Republic of China (“**MOA**”), the average hog price in 2022 was Renminbi (“**RMB**”) 19.01 (approximately U.S. Dollar (“**US\$**”) 2.82) per kg, a decrease of 8.1% as compared to that of 2021. The decrease was mainly due to the continuous increase in the supply of market hogs and the relatively weak demand in view of sluggish economic growth. As hog prices remained at relatively low levels, the total volume of imported pork in 2022 was 1.8 million tons according to the statistics of the General Administration of Customs of China, representing a decrease of 52.6% from that of 2021. The key importing regions in 2022 were the European Union (the “**EU**”), Brazil and the U.S. in descending order of volume.

U.S.

The U.S. is the second largest pork producing country in the world. The industry is relatively mature and concentrated. As the U.S. is also the world's largest pork exporting country, hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets.

With reference to the statistics of U.S. Department of Agriculture (“USDA”), overall animal protein production in the U.S. slightly increased by 1.0% in 2022, in which pork decreased by 2.4%, while beef and chicken increased by 1.3% and 2.9% respectively. The decrease in pork production was mainly due to lower market hog supplies and labour constraints in processing. As a result, the average hog price, as published by Chicago Mercantile Exchange, Inc. (“CME”), was US\$1.63 per kg in 2022, representing an increase of 5.2% over that of 2021.

On the demand side, domestic demand was supported by recovery of consumption from pandemic. However, export demand was weak. According to the USDA, export volume of U.S. pork and offals decreased by 10.8% during the year. Major export destinations that recorded a decrease in export volume included China, Japan and Colombia. As the price differential became narrower, U.S. exports to China decreased by 28.0% in 2022 notwithstanding the complementary nature of consumers' preference in the two markets.

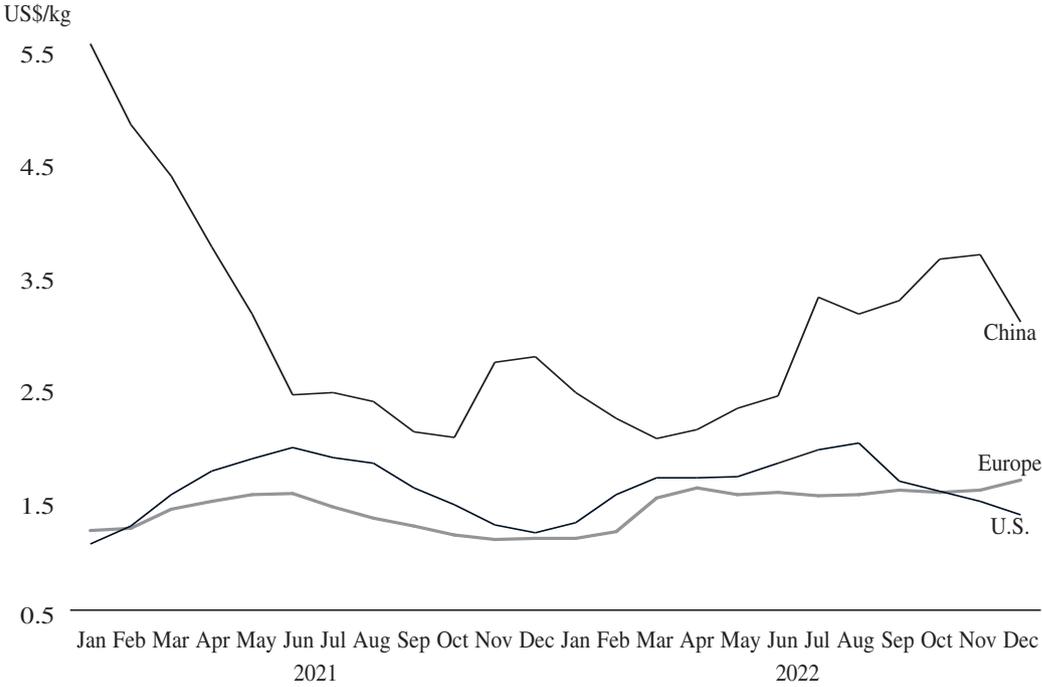
In contrast to the increase in hog prices, the average pork cut-out value of US\$2.29 per kg in 2022, as reported by USDA, decreased by 0.5% year on year as a net result of lower supply and soft demand. Given the divergence between the trends of hog and pork prices, the operating environment was difficult for processors.

Europe

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

According to the statistics disclosed by the European Commission (“EC”), the aggregated pork production volume of the member states of the EU decreased by 5.0% in 2022 over that of 2021. The decrease was primarily due to herd reduction as a result of African Swine Fever (“ASF”) outbreak in some areas. Supply contraction coupled with cost-push inflation induced by the warfare in Ukraine drove the average carcass price in EU up by 26.4% to Euro 1.87 (approximately US\$1.97) per kg in 2022. Due to lack of price attractiveness and restrictions related to ASF, total export volume of the EU in 2022 decreased by 16.5% over that of 2021. In particular, shipments to China decreased by 40.0% as import demand continued to be weak given the recovery of China's local supplies and its ban on imports from countries affected by ASF.

Hog prices in China, the U.S. and Europe during 2021 and 2022



Sources: MOA, CME and EC

II. RESULTS OF OPERATIONS

	2022 <i>US\$ million</i>	2021 <i>US\$ million</i>	Change %
Revenue ⁽¹⁾			
— Packaged meats ⁽²⁾	14,559	13,808	5.4
— Pork ⁽³⁾	11,797	11,969	(1.4)
— Others ⁽⁴⁾	<u>1,780</u>	<u>1,516</u>	17.4
	<u>28,136</u>	<u>27,293</u>	3.1
Operating profit (loss)			
— Packaged meats ⁽²⁾	2,065	1,895	9.0
— Pork ⁽³⁾	30	3	900.0
— Others ^(4, 5)	<u>(2)</u>	<u>68</u>	N/A
	<u>2,093</u>	<u>1,966</u>	6.5

Notes:

- (1) Revenue refers to net external sales.
- (2) Packaged meats represents production, wholesale and retail sales of packaged meat products.
- (3) Pork represents hog farming, slaughtering, wholesale and retail sales of fresh and frozen pork.
- (4) Others represents ancillary businesses other than packaged meats and pork.
- (5) Others' operating profit (loss) includes corporate expenses.

In 2022, revenue of the Group increased by 3.1% to US\$28,136 million primarily driven by the elevated pork value chain in the U.S. and Mexico. Operating profit increased by 6.5% to US\$2,093 million as both packaged meats and pork segments outperformed 2021.

Out of all operating segments, packaged meats has always been our core business. In 2022, packaged meats accounted for 98.7% of the Group's operating profit and 51.7% of the Group's revenue (2021: 96.4% and 50.6% respectively). Our pork business accounted for 1.4% of the Group's operating profit and 41.9% of the Group's revenue (2021: 0.2% and 43.9% respectively).

Packaged Meats

	2022	2021	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue			
China	4,009	4,216	(4.9)
U.S.	9,260	8,512	8.8
Europe	1,290	1,080	19.4
	<u>14,559</u>	<u>13,808</u>	5.4
Operating profit			
China	910	902	0.9
U.S.	1,058	885	19.5
Europe	97	108	(10.2)
	<u>2,065</u>	<u>1,895</u>	9.0

In 2022, our packaged meats sales volume increased by 0.7% to 3,344 thousand metric tons. In China, sales volume increased by 0.1%. It is our continuing strategy to transform our product portfolio by introducing new products and developing new channels. However, due to certain pandemic prevention and control measures, marketing plans and supply chains were disrupted in 2022. On a positive note, the consumer market has improved since the last quarter of the year. Sales volume in the U.S. decreased by 0.8% in 2022 as a result of volume decline in the retail channel due to the challenging labour and supply chain environments, which was partially offset by the volume gain in food service channel as the hospitality sector continued to recover from the pandemic. In Europe, our sales volume increased by 10.6% as we benefited from both organic growth and newly acquired operations.

Revenue of packaged meats in 2022 increased by 5.4% to US\$14,559 million. Revenue in China decreased by 4.9% mainly caused by the adverse impact of translating RMB to US\$. In the U.S., revenue increased by 8.8% as we managed pricing in all sales channels to offset the persistent increase in costs. In Europe, revenue during the year increased by 19.4% due to the increase in sales volume and price management in the face of inflationary headwinds, which was partially offset by the weakening of local currencies.

Operating profit of packaged meats was US\$2,065 million in 2022, an increase of 9.0% from that of 2021. In China, operating profit increased by 0.9% as the decrease in primary raw material costs countervailed the increase in other costs and expenses as well as the unfavourable foreign exchange translation result. In the U.S., despite the increase of costs in raw materials, distribution, energy and labour, our operating profit grew by 19.5% due to the increase in revenue and improvement in manufacturing efficiency. In Europe, our operating profit decreased by 10.2% primarily due to depreciation of local currencies against US\$. From a currency neutral perspective, our operating profit in Europe increased by 3.0% because the increase in sales outweighed the elevation of costs.

Pork

	2022	2021	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue			
China	4,419	5,336	(17.2)
U.S. and Mexico	6,430	5,585	15.1
Europe	948	1,048	(9.5)
	<u>11,797</u>	<u>11,969</u>	(1.4)
Operating profit (loss)			
China	94	(53)	N/A
U.S. and Mexico	(43)	64	N/A
Europe	(21)	(8)	N/A
	<u>30</u>	<u>3</u>	900.0

Total number of hogs processed in 2022 was 48,915 thousand heads, a decrease of 3.5% over that of 2021. In China, the number of hogs processed increased by 1.7% as hog supplies expanded but consumer demand remained largely stable. Our processing volume in the U.S. and Mexico decreased by 2.7% as market hog supplies tightened and labour constraints persisted. In Europe, the number of hogs processed in 2022 decreased by 14.9% as supply of market hogs was impacted by ASF and we managed our production level in reaction to market conditions. External sales volume of pork was 4,019 thousand metric tons in 2022, 7.9% lower than that of 2021. The decrease was driven by the lower harvest levels in the U.S. and Europe as well as the decrease in sales of imported products in China.

Pork revenue in 2022 decreased by 1.4% year on year to US\$11,797 million. In China, revenue decreased by 17.2% as average pork price was lower and currency translation impact was negative in 2022. In the U.S. and Mexico, revenue increased by 15.1% as supported by favourable product mix in the U.S., organic growth and full year effect of consolidating GCM (defined hereinafter) in Mexico in 2022. In Europe, revenue decreased by 9.5% as the decrease in sales volume and impact of foreign currency translation outweighed the increase in sales prices.

In 2022, our operating profit of pork increased by 900.0% to US\$30 million. In China, we recorded an operating profit of US\$94 million in 2022. In contrast, we made an operating loss of US\$53 million in 2021 as our profitability was adversely affected by substantial value depreciation of locally produced inventories and imported pork because of the rapid and sharp decline in selling prices during that period. In the U.S. and Mexico, the operating loss was US\$43 million in 2022 (2021: operating profit of US\$64 million) as we suffered from adverse market dynamics in the U.S.. During the year, the increase in hog raising costs because of inflation and herd health concerns outpaced the increase in hog prices, meanwhile the increase in hog prices outpaced the increase in meat value. Profit contribution from Mexico, on the other hand, increased significantly in 2022. In Europe, our operating loss grew to US\$21 million due to lower sales, and higher raw material and production costs (2021: operating loss of US\$8 million).

Others

In addition to packaged meats and pork, the Group also engages in certain other businesses which are ancillary to our two primary operating segments. Such other businesses include production and sale of poultry products, biological pharmaceutical materials, packaging materials and condiments; provision of logistics and supply chain management services; operation of a finance company and a chain of food retail stores; as well as development of properties.

In particular, our poultry business in Europe and China processed approximately 240 million heads of broiler, goose and turkey in total during 2022, representing an increase of 30.2% from that of 2021. The growth of our poultry business is integral to our strategy of protein diversification. For our logistics and supply chain management business, we currently own 19 logistics parks across 15 provinces in China covering the majority of nation and a newly built regional distribution centre in Zhengzhou, China. Apart from delivering our packaged meats and pork to customers timely and safely, these facilities also provide services to third party customers.

In 2022, revenue generated by our other businesses amounted to US\$1,780 million, an increase of 17.4% over that of 2021 due to the expansion of our poultry operation. However, operating profit of other businesses was reduced by US\$70 million from 2021 as labour constraints in processing in the U.S. reduced our sales of biological pharmaceutical products. Trading profit from China's importation of beef also decreased as market dynamic was less favourable.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment in various parts of the world. As at the year end of 2022, we owned an annual production capacity of packaged meats of approximately 2.14 million metric tons, 1.62 million metric tons and 0.33 million metric tons with utilization rates of 72.7%, 84.8% and 119.0% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Mexico, and Europe were approximately 25.06 million heads, 32.21 million heads and 5.72 million heads, and their utilization rates were 45.1%, 92.5% and 105.9%, respectively in 2022.

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

		2022	2021	Change
Revenue growth rate	%/pp	3.1	6.7	(3.6)
EBITDA				
(before biological fair value adjustments) ratio margin	%/pp	11.2	9.1	2.1
Operating profit margin	%/pp	7.4	7.2	0.2
— Packaged meats	%/pp	14.2	13.7	0.5
— Pork	%/pp	0.2	0.0	0.2
Per unit operating profit				
— Packaged meats	US\$ per metric ton/%	617.5	570.8	8.2
— Pork	US\$ per metric ton/%	7.5	0.7	971.4
Net profit (before biological fair value adjustments) margin	%/pp	6.0	4.7	1.3
Current ratio	times	1.6	1.7	(0.1)
Cash conversion cycle	days	37.0	39.1	(2.1)
Debt to equity ratio	%/pp	32.3	41.4	(9.1)
Debt to EBITDA (before biological fair value adjustments) ratio	times	1.1	1.6	(0.5)
Return on total assets	%/pp	8.4	6.8	1.6
Return on equity	%/pp	14.9	11.4	3.5

II. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, procurement of financing which is cost-efficient to the Group, management of credit profile as well as financial risks such as interest rate and foreign exchange fluctuations. The design of our treasury function aims at aligning with the long-term and short-term needs of the Group and conforming with good governance standard.

Liquidity

The Group continues to maintain an adequate level of liquidity. As at 31 December 2022, we had cash and bank balances of US\$1,394 million (2021: US\$1,556 million), which were held primarily in RMB and US\$. From time to time, we also hold certain financial products and debt instruments for yield enhancement purpose. Such financial products and debt instruments are classified as current financial assets at fair value through profit or loss and other current assets. As at 31 December 2022, the aggregated balance was US\$431 million (2021: US\$437 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.6 times as at 31 December 2022 (2021: 1.7 times). The aggregate amount of unutilised banking facilities of the Group as at 31 December 2022 was US\$5,725 million (2021: US\$5,796 million).

Cash Flows

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

In 2022, our net cash from operating activities amounted to US\$1,803 million (2021: US\$1,958 million). The decrease in cash inflow was mainly driven by higher working capital requirements under inflationary pressure. Our net cash used in investing activities in 2022 amounted to US\$350 million (2021: US\$409 million). The decrease in cash outflow was primarily due to the receipt of sales proceeds from the Disposal of Saratoga (defined hereinafter), but was partially offset by the decrease in redemption of financial products and debt instruments. Our net cash used in financing activities in 2022 amounted to US\$1,542 million, which was mainly related to dividend payments and debt repayments. Net cash used in financing activities in 2021 was US\$1,569 million which was mainly related to Share Repurchase 2021 (as defined hereinafter). As such, our net decrease in cash and cash equivalents was US\$89 million in 2022 (2021: net decrease of US\$20 million).

Credit Profile

The Group aims at maintaining a good credit profile for both the Company and its subsidiaries that is beneficial to their long-term growth and development. Our Long-Term Foreign-Currency Issuer Default Rating (“**IDR**”) and senior unsecured rating are BBB+ according to Fitch Ratings. Our long-term corporate credit rating is BBB according to S&P Global Ratings. Our issuer rating is Baa2 according to Moody’s. The outlook of these ratings is stable.

For our wholly-owned subsidiary, Smithfield Foods, Inc. (“**Smithfield**”), Fitch Ratings affirms its Long-Term IDR of BBB with a stable outlook. According to S&P Global Ratings, the corporate credit rating of Smithfield is BBB-. The outlook is stable. The corporate family rating of Smithfield assigned by Moody’s was Ba1. In July 2022, Moody’s revised the rating outlook of Smithfield from stable to positive.

Share Repurchase 2021

In September 2021, the Company completed a share buyback of around 1,916,937,202 Shares, representing approximately 13.0% of the issued share capital prior to the transaction, at a consideration of HK\$14,952 million (approximately US\$1,923 million). Such consideration was funded partly by internal resources of the Group and partly by the Committed Facility 2021 (as defined hereinafter).

Major Financing Activities

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

In September 2021, for refinancing certain existing borrowings and replenishing working capital, the Group completed the issuance of 2.6250% senior unsecured notes with an aggregate principal amount of US\$500 million due 2031.

In June 2021, the Group entered into a facility agreement with certain banks on a committed facility with an aggregate amount of up to US\$2,000 million for the sole purpose of Share Repurchase 2021 (“**Committed Facility 2021**”). The initial maturity of this facility is 2023 and is extendable for two years at the discretion of the Group pursuant to the terms of the facility agreement.

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

Debt Profile

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

	As at 31 December 2022 <i>US\$ million</i>	As at 31 December 2021 <i>US\$ million</i>
Borrowings by nature		
Senior unsecured notes	1,976	1,973
Bank borrowings	1,387	2,038
Loans from third parties	<u>3</u>	<u>3</u>
	<u>3,366</u>	<u>4,014</u>
Borrowings by geographical region		
U.S. and Mexico	1,993	1,995
China	1,145	1,877
Europe	<u>228</u>	<u>142</u>
	<u>3,366</u>	<u>4,014</u>
Borrowings by currency		
US\$	2,176	2,195
RMB	573	539
Hong Kong Dollar (“ HKS ”)	370	1,135
Other currencies	<u>247</u>	<u>145</u>
	<u>3,366</u>	<u>4,014</u>

The Group's total principal amount of outstanding borrowings as at 31 December 2022 was US\$3,395 million (2021: US\$4,049 million). The maturity profile is analysed as follows:

	Total
In 2023	25%
In 2024	4%
In 2025	11%
In 2027	18%
In 2029	12%
In 2030	15%
In 2031 or after	15%
	<hr/>
	100%

As at 31 December 2022, 99.8% of our borrowings were unsecured (2021: 99.8%), the remaining borrowings were secured by pledged bank deposits and other assets. Certain borrowings of the Group contained affirmative and negative covenants that are subject to certain qualifications and exceptions. We had no default in repayment of bank borrowings, nor did it breach any relevant financial covenants during the year.

Leverage Ratios

As at 31 December 2022, our debt to equity ratio (ratio of consolidated borrowings to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings less cash and bank balances to consolidated total equity) were 32.3% and 18.9%, respectively (2021: 41.4% and 25.4%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings less cash and bank balances to EBITDA before biological fair value adjustments) as at 31 December 2022 were 1.1 times and 0.6 times, respectively (2021: 1.6 times and 1.0 times, respectively).

Finance Costs

Our finance costs increased by 21.6% to US\$169 million in 2022 mainly due to the increase in applicable interest rates on bank borrowings denominated in US\$ and HK\$ during the year.

As at 31 December 2022, the average interest rate of our outstanding borrowings was 4.0% (2021: 2.7%).

III. CAPITAL EXPENDITURES

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

In 2022, capital expenditures amounted to US\$975 million (2021: US\$933 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2022	2021
	<i>US\$ million</i>	<i>US\$ million</i>
China	554	647
U.S. and Mexico	338	207
Europe	83	79
	975	933

Our capital expenditures in China were mainly related to three vertically integrated poultry production facilities and two hog raising facilities. Part of these capital expenditures were funded by the proceeds raised from a non-public issuance of new A shares of a non-wholly owned subsidiary of the Group, Shuanghui Investment & Development Co. Ltd., in October 2020. Our capital expenditures in the U.S., apart from repairs and maintenance, were primarily related to certain environmental projects such as denitrification in our processing plant as well as certain automation and cost-saving projects across different operating segments. Our capital expenditures in Europe were mainly for plant expansion and improvement projects.

IV. HUMAN RESOURCES

We believe that success of the Group largely depends on our capacity to attract and retain a dynamic workforce. As at 31 December 2022, the Group had approximately 104 thousand employees in total, in which approximately 47 thousand employees were with our China operation, approximately 40 thousand were with our U.S. and Mexico operations and approximately 17 thousand employees were with our European operations.

We value respectful relationships and encourage enterprising work ethics. We nurture an inclusive culture and provide safe work place. To ensure our employees have constantly improving knowledge and skills to drive the growth of the Group, we provide adequate training and development programs.

Our compensation principle is to align rewards of employees with the goals, objectives and financial performance of the Group. Therefore, our compensation includes appropriate fixed pays such as basic salaries and allowances; variable incentives such as performance bonus; and fringe benefits such as retirement plans and medical coverage. The Company also adopted a pre-IPO share option scheme in 2014. In 2022, total remuneration expenses of the Group amounted to US\$4,060 million, representing an increase of 5.1% from that of 2021, as a result of global wage inflation.

V. BIOLOGICAL ASSETS

As at 31 December 2022, we had a total of 13,219 thousand hogs, consisting of 12,082 thousand market hogs and 1,137 thousand breeding stock, a decrease of 6.5% from 14,135 thousand hogs as at 31 December 2021. We also had a total of 19,436 thousand poultry, consisting of 17,096 thousand broilers and 2,340 thousand breeding stock, an increase of 53.5% from 12,663 thousand poultry as at 31 December 2021. The fair value of our biological assets was US\$1,544 million as at 31 December 2022, as compared to US\$1,431 million as at 31 December 2021.

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

In 2022, the net impact of biological fair value adjustments on our profit was a loss in the amount of US\$33 million, as compared to a gain in the amount of US\$21 million of last year.

VI. KEY INVESTMENT INTERESTS

Acquisition of Goodies

In February 2023, the Group completed the acquisition of 100% of the equity interests of a Romanian producer of packaged meats, Goodies Meat Production S.R.L. (“**Goodies**”). Its product portfolio includes salami, ham, bacon, bologna and other meat specialties. The acquisition of Goodies complements and strengthens our existing business in Europe.

Exit of Norson

The Group had a joint-venture interest in an integrated hog producer and processor in Mexico, Norson Holding, S. de R.L. de C.V. (“**Norson**”). During the year, we offered to purchase the shares of Norson that were held by our joint-venture partner but was being rejected. As a result, our joint-venture partner was irrevocably committed to purchase our shares pursuant to the joint-venture agreement. In November 2022, we completed the sale of all our shares in Norson and recognised a pre-tax loss of US\$12 million.

Disposal of Saratoga

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

Restructuring of operations in Western U.S.

In May 2022, the Group announced the closure of our processing facility in California, exit of certain hog farm operations in Arizona and California, and reduction of our sow herd in Utah, as operating in these areas had been increasingly costly. As a result, we incurred various exit costs and disposal charges, such as accelerated depreciation, and employee termination benefits totalling US\$151 million.

Investments in renewable natural gas joint-ventures

The Group has several joint-ventures in the U.S. which are engaged in converting waste from our hog farming operations into carbon negative renewable natural gas to power homes, vehicles and businesses. Align RNG, LLC (“**Align**”) was formed with Dominion Energy RNG Holdings, Inc., and Monarch Bio Energy, LLC (“**Monarch**”) was formed with Roeslein Alternative Energy, LLC. In February 2022, we formed Viceroy Bio Energy, LLC (“**Viceroy**”) with our partners in Monarch. Upon the

formation, Monarch contributed certain assets related to biogas operations to Viceroy. Also in February 2022, Monarch issued additional shares representing a 33% ownership interest to a climate investor, TPG Rise Monsoon, LP. As a result, our ownership interest in Monarch was reduced from 50% to 33% and a pre-tax gain of US\$52 million was recognised in 2022.

Consolidation of GCM

In July 2021, the Group completed the increase of our equity interest in a Mexican hog farming and processing company, Granjas Carroll de Mexico S. de R.L. de C.V., (“**GCM**”), from 50% to 66% and commenced consolidation of its results. GCM sells live hogs into one of the largest pork consumption markets in the world, Mexico City and operates a processing plant with an annual production capacity of approximately one million hogs. As an important investment of the Group in Mexico, GCM is expected to play a major role in the Group’s development of the Mexican market.

Acquisition of Mecom Group

In June 2021, the Group completed the acquisition of 100% of the equity interests in MECOM GROUP s.r.o., Schneider Food, s.r.o. and Kaiser Food Kft. (collectively, “**Mecom Group**”). Mecom Group produces salami and other meat products and markets several brands including Mecom, Csababus, Kaiser and Schneider in Slovakia, Hungary and Czech Republic. The acquisition of Mecom Group expands our packaged meats business and footprint in Central Europe.

VII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee of the Company (the “**Risk Management Committee**”) is mainly responsible to oversee the development and implementation of the Group’s risk management system. The Group’s risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2022, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management (“**ERM**”) system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group is effectively in place.

Commodities Price Risks

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

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

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at 31 December 2022, approximately 76.0% of our borrowings (other than bank overdrafts) were at fixed interest rates (2021: 62.7%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

VIII. CONTINGENT LIABILITIES

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

Antitrust Litigation

Smithfield has been named as one of the defendants by three groups of plaintiffs (namely the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers) and certain organisations or individuals in the U.S. alleging anti-trust violations in the pork industry starting in 2009 and continuing through at least June 2018 (the “**Antitrust Litigation**”).

In addition to the payment of US\$77 million made to settle all class claims by the direct purchasers as agreed in 2021, the Group also settled all commercial and institutional indirect purchasers class claims by a single payment of US\$42 million in accordance to a settlement agreement in March 2022. In August 2022, the Group further agreed to settle all consumer indirect purchaser class claims for a single payment of US\$75 million. The terms of this settlement are subject to court approval following notice to class members.

Currently 35 individual cases are pending against the Group and we intend to vigorously defend against these claims. Accruals for estimated losses and expenses in relation to Anti-trust Litigation were established prior to 2022. The Board assesses and monitors the financial and operational impacts of material lawsuits, including the Antitrust Litigation, on a continuous basis and takes actions which are considered to be in the best interest of the Group.

More details and further updates (if any) of the Antitrust Litigation and other lawsuits will be available in the 2022 annual report of the Company.

IX. SUSTAINABILITY

The Group is committed to providing sustainable protein choices for consumers globally. As we grow our businesses, we also track our impact to natural environment and communities where we operate, monitor the evolution of consumer needs, at the same time, build mutual respect with employees and enable their development. We are engaged in delivering positive contributions to building a healthy and vibrant industry chain, along with our suppliers and distributors. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are different from various markets we have a presence. Under the guidance of the environmental, social and governance committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group’s Corporate Principles. We conducted our materiality analysis this year following an established process to identify sustainability topics of our key stakeholders and prioritise the concerns in a systematic approach, so as to shape our sustainability strategy and manage concerns which are deemed as most material to our stakeholders. The analysis results layout the foundation for the preparation of our Environmental, Social and Governance Report.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our Environmental, Social and Governance Report to be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.wh-group.com) at the same time as the publication of the 2022 annual report of the Company.

In 2022, the Company remained a constituent stock of the Hang Seng Corporate Sustainability Index ("HSSUS") and granted A+ grade and received an ESG rating of BBB by MSCI, the world's largest index company, demonstrating the market's recognition of the Group's performance in sustainable development.

OUTLOOK

As a leading pork enterprise globally, the Company has a vertically integrated production chain and extensive presence in China, the U.S. and Europe. We are also a consumer goods company with branded packaged meats as our core business. At any time, ensuring food safety and product quality is our core value. The operation and financial performance of the Group, as always, are affected by external changes such as geopolitical relations, government policies, economic indicators, consumers' preferences, industry cycle and animal diseases in each location that we operate.

Notwithstanding the complex operating environment that we were facing in 2022, the Group achieved growth in revenue and earnings. Entering 2023, uncertainty is still the key theme. On one hand, the negative impacts of pandemic and ASF are easing. The recovery of market in China will bring us opportunities. On the other hand, inflation in the U.S. and Europe remain at high levels. The elevated grain and energy prices have become a severe challenge for us. Meanwhile, macro-economic headwinds have weakened consumer confidence and therefore weighed on demand. As a result, we expect the short-term financial performance of our Group will be under pressure.

Although the external environment continues to be uncertain, we will thrive for applying the best operating strategy to stay competitive in the market and maximise profitability. We will continue to promote adjustment of product mix, manage prices and control costs. We will expand our sales network to seek for breakthrough in business scale. We will increase investments in automated and information-based production to improve operational efficiency. We will leverage on our global presence to better deploy resources and create synergy. We will also further optimize our industrial value chain and diversify into multi-potential business.

We believe that with our efforts will offer consumers quality products, maintain our leading position in the industry and create value for Shareholders, employees and the community.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended 31 December 2022, which have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022			2021		
		Results before biological fair value adjustments US\$'million	Biological fair value adjustments US\$'million	Total US\$'million	Results before biological fair value adjustments US\$'million	Biological fair value adjustments US\$'million	Total US\$'million
REVENUE	3	28,136	—	28,136	27,293	—	27,293
Cost of sales		(23,202)	243	(22,959)	(22,587)	290	(22,297)
Gross profit		4,934	243	5,177	4,706	290	4,996
Distribution and selling expenses		(2,082)	—	(2,082)	(2,038)	—	(2,038)
Administrative expenses		(842)	—	(842)	(803)	—	(803)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		—	(76)	(76)	—	(81)	(81)
Loss arising from changes in fair value less costs to sell of biological assets		—	(223)	(223)	—	(167)	(167)
Other income	4	127	—	127	133	—	133
Other gains and (losses)	5	278	—	278	131	—	131
Other expenses		(62)	—	(62)	(366)	—	(366)
Finance costs	6	(169)	—	(169)	(139)	—	(139)
Share of profits of associates		8	—	8	9	—	9
Share of profits (losses) of joint ventures		(6)	2	(4)	25	—	25
PROFIT BEFORE TAX	7	2,186	(54)	2,132	1,658	42	1,700
Taxation	8	(503)	21	(482)	(381)	(21)	(402)
PROFIT FOR THE YEAR		1,683	(33)	1,650	1,277	21	1,298
Other comprehensive income (expense) for the year:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				102			4
				102			4

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

For the year ended 31 December 2022

	2022			2021			
	Notes	Results before biological fair value adjustments US\$'million	Biological fair value adjustments US\$'million	Total US\$'million	Results before biological fair value adjustments US\$'million	Biological fair value adjustments US\$'million	Total US\$'million
<i>Items that may be reclassified subsequently to profit or loss:</i>							
— exchange differences arising on translation of foreign operations				(354)			(27)
— fair value change in cash flow hedge, net of tax				(33)			(26)
				<u>(387)</u>			<u>(53)</u>
Other comprehensive expense for the year, net of tax				<u>(285)</u>			<u>(49)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				<u>1,365</u>			<u>1,249</u>
Profit for the year attributable to							
— owners of the Company				1,370			1,068
— non-controlling interests				280			230
				<u>1,650</u>			<u>1,298</u>
Total comprehensive income for the year attributable to							
— owners of the Company				1,161			1,010
— non-controlling interests				204			239
				<u>1,365</u>			<u>1,249</u>
EARNINGS PER SHARE	<i>10</i>						
— Basic (US cents)				10.68			7.55
— Diluted (US cents)				10.68			7.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	6,536	6,367
Right-of-use assets		749	711
Biological assets	<i>12</i>	201	168
Goodwill		1,992	2,070
Intangible assets		1,717	1,757
Interests in associates		126	62
Interests in joint ventures		126	191
Other receivables		78	67
Financial assets at fair value through profit or loss		11	12
Pledged bank deposits		5	7
Deferred tax assets		58	42
Other non-current assets		247	335
		<hr/>	<hr/>
Total non-current assets		11,846	11,789
CURRENT ASSETS			
Properties under development		117	150
Biological assets	<i>12</i>	1,343	1,263
Inventories	<i>13</i>	2,855	2,625
Trade and bills receivables	<i>14</i>	1,087	1,064
Prepayments, other receivables and other assets		981	668
Tax recoverable		6	20
Financial assets at fair value through profit or loss		149	232
Pledged/restricted bank deposits		77	44
Cash and bank balances		1,394	1,556
		<hr/>	<hr/>
Total current assets		8,009	7,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2022

	<i>Notes</i>	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
CURRENT LIABILITIES			
Trade and other payables	15	1,395	1,149
Accrued expenses and other payables	16	2,513	2,371
Lease liabilities		85	110
Taxation payable		130	71
Borrowings	17	862	874
		<hr/>	<hr/>
Total current liabilities		4,985	4,575
		<hr/>	<hr/>
NET CURRENT ASSETS		3,024	3,047
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,870	14,836
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables	16	408	383
Lease liabilities		449	377
Borrowings	17	2,504	3,140
Deferred tax liabilities		697	725
Deferred revenue		38	46
Pension liability and other retirement benefits		362	478
		<hr/>	<hr/>
Total non-current liabilities		4,458	5,149
		<hr/>	<hr/>
NET ASSETS		10,412	9,687
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		9,599	8,747
		<hr/>	<hr/>
Equity attributable to owners of the Company		9,600	8,748
Non-controlling interests		812	939
		<hr/>	<hr/>
TOTAL EQUITY		10,412	9,687
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Net cash flows from operating activities	<u>1,803</u>	<u>1,958</u>
Net cash flows used in investing activities	<u>(350)</u>	<u>(409)</u>
Net cash flows used in financing activities	<u>(1,542)</u>	<u>(1,569)</u>
Net decrease in cash and cash equivalents	(89)	(20)
Effect of foreign exchange rate changes	(73)	23
Cash and cash equivalents at beginning of year	<u>1,556</u>	<u>1,553</u>
Cash and cash equivalents at end of year	<u><u>1,394</u></u>	<u><u>1,556</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>1,394</u></u>	<u><u>1,556</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended 31 December 2022 comprise the Company and its entities (including structured entities, controlled by the Group) (collectively referred to as the “**Group**”) and the Group’s interests in associates and interests in joint ventures. The Group is primarily involved in the production and sale of packaged meats and pork.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised IFRSs are described below:

Amendments to IFRS 3 Reference to the Conceptual Framework

Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements to IFRS Standards 2018–2020

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
- IAS 41 *Agriculture*: removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The above amendments did not have any impact on the financial position or performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Packaged meats	14,559	13,808
Pork	11,797	11,969
Others	1,780	1,516
	<u>28,136</u>	<u>27,293</u>

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

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

- (i) Packaged meats — represents production, wholesale and retail sales of low temperature and high temperature meat products.
- (ii) Pork — represents slaughtering, wholesale and retail sales of fresh and frozen pork and hog farming.
- (iii) Others — represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, manufacturing of flavouring ingredients and natural casings, manufacture and sales of packaging materials, operating finance companies, property development companies, a chain of retail food stores, sales of biological pharmaceutical materials, trading of meat related products, and corporate expenses incurred by the Group.

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	For the year ended 31 December 2021			
	Packaged meats <i>US\$'million</i>	Pork <i>US\$'million</i>	Others <i>US\$'million</i>	Total <i>US\$'million</i>
China				
Gross segment revenue	4,216	6,123	1,360	11,699
Less: Inter-segment revenue	—	(787)	(396)	(1,183)
Revenue	<u>4,216</u>	<u>5,336</u>	<u>964</u>	<u>10,516</u>
Reportable segment profit (loss)	<u>902</u>	<u>(53)</u>	<u>81</u>	<u>930</u>
U.S. and Mexico				
Gross segment revenue	8,515	9,789	87	18,391
Less: Inter-segment revenue	(3)	(4,204)	—	(4,207)
Revenue	<u>8,512</u>	<u>5,585</u>	<u>87</u>	<u>14,184</u>
Reportable segment profit (loss)	<u>885</u>	<u>64</u>	<u>(30)</u>	<u>919</u>
Europe				
Gross segment revenue	1,124	1,489	557	3,170
Less: Inter-segment revenue	(44)	(441)	(92)	(577)
Revenue	<u>1,080</u>	<u>1,048</u>	<u>465</u>	<u>2,593</u>
Reportable segment profit (loss)	<u>108</u>	<u>(8)</u>	<u>17</u>	<u>117</u>
Total				
Gross segment revenue	13,855	17,401	2,004	33,260
Less: Inter-segment revenue	(47)	(5,432)	(488)	(5,967)
Revenue	<u>13,808</u>	<u>11,969</u>	<u>1,516</u>	<u>27,293</u>
Reportable segment profit	<u>1,895</u>	<u>3</u>	<u>68</u>	1,966
Net unallocated expenses				(203)
Biological fair value adjustments				42
Finance costs				(139)
Share of profits of associates				9
Share of profits of joint ventures				<u>25</u>
Profit before tax				<u>1,700</u>

4. OTHER INCOME

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Government subsidy	47	64
Bank interest income	37	30
Income on sales of raw materials	11	15
Others	32	24
	<u>127</u>	<u>133</u>

5. OTHER GAINS AND (LOSSES)

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Gain (loss) on non-qualified retirement plan assets	(26)	18
Fair value gain on financial assets at fair value through profit or loss	8	24
Gain (loss) on disposal of property, plant and equipment	17	(4)
Impairment loss on property, plant and equipment	(1)	(4)
Impairment loss on right-of-use assets	—	(1)
Impairment loss on investment in joint ventures	(24)	—
Net exchange gains (losses)	(12)	1
Net gain on disposal/deemed disposal of investment in joint ventures	40	—
Gain on insurance recovery	7	24
Gain on disposal of assets	414	—
Accelerated depreciation and amortisation	(97)	(12)
Gain upon modification of defined benefit plans	—	105
Others	(48)	(20)
	<u>278</u>	<u>131</u>

6. FINANCE COSTS

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Interest on senior unsecured notes	(78)	(81)
Interest on bank and other loans	(65)	(35)
Interest on lease liabilities	(23)	(19)
Amortisation of transaction costs	(4)	(5)
Less: Amounts capitalised in the cost of qualifying assets	1	1
	<u>(169)</u>	<u>(139)</u>

7. PROFIT BEFORE TAX

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

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Auditor's remuneration		
Audit services	5	4
Non-audit services	1	1
Depreciation of property, plant and equipment	660	538
Depreciation of right-of-use assets	131	130
Amortisation of intangible assets included in administrative expenses	9	9
Amortisation of other non-current assets	2	2
Inventories provisions, net, included in cost of sales	62	61
Reversal of impairment losses on trade receivables, net, included in administrative expenses	(2)	(10)
Lease payments not included in the measurement of lease liabilities	132	112
Research and development expenses	182	179
Staff costs (excluding directors' remuneration)	4,050	3,843
Legal contingencies	20	353
	<u> </u>	<u> </u>

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

8. TAXATION

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
China income tax	(241)	(192)
U.S. income tax	(205)	(45)
Europe income taxes	(23)	(24)
Other income taxes	—*	—*
Withholding tax	(57)	(32)
Deferred taxation	44	(109)
	<u> </u>	<u> </u>
	<u>(482)</u>	<u>(402)</u>

* Less than US\$1 million.

9. DIVIDENDS

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Dividend recognised as distribution during the year:		
2021 final dividend of HK14.0 cents per share (2020: HK12.5 cents)	229	237
2022 interim dividend of HK5 cents per share (2021: HK5 cents)	<u>82</u>	<u>95</u>
	<u><u>311</u></u>	<u><u>332</u></u>

The final dividend of HK25 cents per share in respect of the year ended 2022 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>1,370</u>	<u>1,068</u>
	<i>million</i>	<i>million</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	12,830	14,142
Effect of dilutive potential ordinary shares: share options	<u>—</u>	<u>3</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>12,830</u></u>	<u><u>14,145</u></u>

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US\$1,266 million (2021: US\$980 million) on additions of property, plant and equipment.

12. BIOLOGICAL ASSETS

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

	2022 <i>Head 'million</i>	2021 <i>Head 'million</i>
Live hogs		
— suckling	2	2
— nursery	2	2
— finishing	8	9
	<u>12</u>	<u>13</u>
Breeding stock (hogs)	1	1
	<u>13</u>	<u>14</u>
Broilers	17	11
Breeding stock (poultry)	2	2
	<u>19</u>	<u>13</u>
	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Current assets	1,343	1,263
Non-current assets	201	168
	<u>1,544</u>	<u>1,431</u>
Fair value measurement — Level 3		
	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Biological assets		
Live hogs	1,308	1,243
Breeding stock (hogs)	193	161
Broilers	35	20
Breeding stock (poultry)	8	7
	<u>1,544</u>	<u>1,431</u>

12. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3 (continued)

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

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

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

13. INVENTORIES

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Raw materials	1,286	1,222
Work in progress	152	145
Finished goods	<u>1,417</u>	<u>1,258</u>
	<u><u>2,855</u></u>	<u><u>2,625</u></u>

14. TRADE AND BILLS RECEIVABLES

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Trade receivables	1,090	1,070
Impairment	<u>(11)</u>	<u>(14)</u>
	<u>1,079</u>	<u>1,056</u>
Bills receivable	<u>8</u>	<u>8</u>
	<u><u>1,087</u></u>	<u><u>1,064</u></u>

14. TRADE AND BILLS RECEIVABLES (continued)

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

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Current to 30 days	989	912
31 to 90 days	96	142
91 to 180 days	2	9
Over 180 days	—*	1
	<u>1,087</u>	<u>1,064</u>

15. TRADE PAYABLES

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

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

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Within 30 days	1,384	1,127
31 to 90 days	8	13
91 to 180 days	1	4
181 to 365 days	2	5
	<u>1,395</u>	<u>1,149</u>

* Less than US\$1 million.

16. ACCRUED EXPENSES AND OTHER PAYABLES

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Accrued staff costs	592	609
Deposits received	87	99
Sales rebates payables	176	223
Payables in respect of acquisition of property, plant and equipment	377	157
Accrued insurance	130	151
Interest payable	24	23
Balance of contingent consideration in respect of acquisition of subsidiaries	200	177
Growers payables	49	45
Pension liability	24	24
Derivative financial instruments	18	3
Accrued professional expenses	8	8
Accrued rent and utilities	39	35
Dividend payables	12	60
Contract liabilities	536	523
Other accrued expenses	478	499
Other payables	171	118
	<u>2,921</u>	<u>2,754</u>
Analysed for reporting purposes as:		
Current liabilities	2,513	2,371
Non-current liabilities	408	383
	<u>2,921</u>	<u>2,754</u>

17. BORROWINGS

	2022 <i>US\$'million</i>	2021 <i>US\$'million</i>
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	598	597
5.200% senior unsecured notes due April 2029	396	396
3.000% senior unsecured notes due October 2030	491	490
2.625% senior unsecured notes due September 2031	491	490
	<u>1,976</u>	<u>1,973</u>
Commercial papers	—	—
Bank loans:		
Secured	6	5
Unsecured	1,381	2,033
Loans from third parties:		
Secured	1	1
Unsecured	2	2
	<u>3,366</u>	<u>4,014</u>
Total borrowings		
	<u>3,366</u>	<u>4,014</u>
Borrowings are repayable as follows:		
Within one year	862	874
One to two years	148	24
Two to five years	975	1,141
After five years	1,381	1,975
	<u>3,366</u>	<u>4,014</u>
Less: Amounts due within one year shown under current liabilities	<u>(862)</u>	<u>(874)</u>
Amounts due after one year	<u>2,504</u>	<u>3,140</u>
Total borrowings		
At fixed rates	2,557	2,515
At floating rates	809	1,499
	<u>3,366</u>	<u>4,014</u>

17. BORROWINGS (continued)

	2022	2021
	<i>US\$'million</i>	<i>US\$'million</i>
Analysis of borrowings by currency:		
Denominated in US\$	2,176	2,195
Denominated in RMB	573	539
Denominated in HK\$	370	1,135
Denominated in other currencies	247	145
	<hr/> 3,366 <hr/>	<hr/> 4,014 <hr/>

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Ms. Zhou Hui (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the external auditor of the Company, Ernst & Young (“EY”), and reviewed the Group’s consolidated financial information for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group’s consolidated financial information comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and all other applicable legal requirements. The Audit Committee therefore recommended for the Board’s approval of the Group’s consolidated financial information for the year ended 31 December 2022.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes to the consolidated financial information thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by EY, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the year ended 31 December 2022, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.25 per share of the Company (“**Share**”) for the year ended 31 December 2022 (the “**2022 Final Dividend**”) to the shareholders of the Company (the “**Shareholders**”) subject to the approval of the Shareholders at the forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company. Taking into account of the interim dividend of HK\$0.05 per Share paid on 30 September 2022, total dividend for the year ended 31 December 2022 will be HK\$0.30 per Share (2021: HK\$0.19 per Share). The 2022 Final Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Thursday, 15 June 2023 on or about Friday, 7 July 2023.

CLOSURE OF REGISTER OF MEMBERS

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

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

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the “**Branch Share Registrar**”) in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2023.

(ii) To qualify for the proposed 2022 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2022 Final Dividend, the registers of members of the Company will be closed from Tuesday, 13 June 2023 to Thursday, 15 June 2023, both days inclusive. In order to qualify for the proposed 2022 Final Dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Monday, 12 June 2023.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, 6 June 2023. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2022 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

By order of the Board
WH Group Limited
Wan Long
Chairman

Hong Kong, 28 March 2023

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