萬洲國際
WH GROUP

INTERIM REPORT 2024

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 5 August 2014

Stock Code: 288

COMPANY WEBSITE
www.wh-group.com

DIRECTORS
Executive Directors
Mr. WAN Long (Chairman)
Mr. GUO Lijun (Chief Executive Officer)
Mr. WAN Hongwei (Deputy Chairman)
Mr. MA Xiangjie (President of Shuanghui Development)
Mr. Charles Shane SMITH
(President and Chief Executive Officer of Smithfield)

Non-executive Director
Mr. JIAO Shuge

Independent Non-executive Directors
Mr. HUANG Ming
Mr. LAU, Jin Tin Don
Ms. ZHOU Hui

COMPANY SECRETARY
Mr. CHAU Ho

AUDIT COMMITTEE
Ms. ZHOU Hui (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

REMUNERATION COMMITTEE
Mr. HUANG Ming (Chairman)
Mr. JIAO Shuge
Ms. ZHOU Hui

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE
Mr. GUO Lijun (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Mr. LAU, Jin Tin Don

FOOD SAFETY COMMITTEE
Mr. WAN Long (Chairman)
Mr. WAN Hongwei
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Ms. ZHOU Hui

RISK MANAGEMENT COMMITTEE
Mr. WAN Long (Chairman)
Mr. GUO Lijun
Mr. MA Xiangjie
Mr. Charles Shane SMITH
Ms. ZHOU Hui

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

LEGAL ADVISOR
Paul Hastings

PRINCIPAL BANKERS
Bank of America N.A.
Bank of China
Cooperatieve Rabobank U.A.
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation

AUTHORISED REPRESENTATIVES

Mr. WAN Long
Mr. CHAU Ho

SHARE REGISTRAR AND TRANSFER OFFICE PRINCIPAL

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

HONG KONG BRANCH

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183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND CORPORATE HEADQUARTERS IN HONG KONG

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1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	Six months ended 30 June 2024	2023
Packaged meats sold (thousand metric tons)	**1,501**	1,597
Pork sold (thousand metric tons)	**1,823**	2,026

	Six months ended 30 June			
	2024		2023	
	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)	
Revenue	**12,293**	**12,293**	13,116	13,116
EBITDA	**1,469**	**1,599**	1,066	1,113
Operating profit	**1,140**	**1,140**	639	639
Profit attributable to owners of the Company	**694**	**784**	383	420
Basic earnings per share (US cents)	**5.41**	**6.11**	2.99	3.27
Interim dividend per share (HK$)	**0.10**	**0.10**	0.05	0.05

- Sales volume of packaged meats and pork decreased by 6.0% and 10.0% respectively.
- Revenue decreased by 6.3%.
- Operating profit increased by 78.4%.
- Profit attributable to owners of the Company and basic earnings per share, before biological fair value adjustments, both increased by 81.2%.

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 the financial information section of this report.

INDUSTRY OVERVIEW

The Group is a leading global pork company with operations in multiple geographical regions. In the Review Period, our business in China contributed 31.7% of the revenue and 39.2% of the operating profit of the Group (Comparable Period: 34.2% and 81.4% respectively). Meanwhile, our businesses in the U.S. and Mexico accounted for 54.3% of the revenue and 47.7% of the operating profit of the Group (Comparable Period: 53.4% and 5.6% 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 in 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 dominant position of pork in 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 impacted by industry cycles and near-term events.

In the Review Period, the total production of hogs was 364 million heads with reference to the National Bureau of Statistics of China, which was 3.1% lower than that of the Comparable Period. The total production volume of pork was 29.81 million metric tons, representing a decrease of 1.7% over the Comparable Period. According to the statistics published by MOA, the number of breeding sows at each month end continuously decreased on a year-over-year basis since July 2023. As of the end of June 2024, the number of breeding sows decreased by 6.0% from that of the same time last year. As the market expected hog supplies to tighten, the average hog price in the Review Period was RMB15.59 (approximately US$2.16) per kg, representing an increase of 3.1% over the Comparable Period.

Although hog prices increased, the total volume of imported pork and by-products in the Review Period as published by the General Administration of Customs of China was 1.11 million metric tons, representing a decrease of 27.3% from that of the Comparable Period. The key importing regions were the EU, the U.S. and Brazil in descending order of import volume.

Management Discussion and Analysis (Continued)

U.S.

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

With reference to the statistics of the USDA, overall animal protein production in the U.S. in the Review Period was slightly lower than that of the Comparable Period as the production of pork increased by 1.1%, the production of chicken stayed flat, but the production of beef decreased by 1.5%. On the demand side, both domestic consumption and exports were stable. According to the USDA, export volume of U.S. pork and offals increased by 2.6% during the Review Period. Major export destinations that recorded volume growth were Mexico and South Korea.

Against this background, the average hog price, as published by CME was US$1.38 per kg in the Review Period, representing an increase of 7.0% over the Comparable Period. The average pork cut-out value as reported by the USDA also increased 13.7% to US$2.08 per kg. As hog prices increased and raising costs decreased following the grain prices, the margin of hog producers improved. As the increase in pork cut-out values was larger than the increase in hog prices, the margin of slaughters also improved.

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 the export conditions.

According to the latest statistics published by the European Commission, the aggregated pork production volume of the member states of the EU increased by 1.4% in the first five months of 2024 over that of the same period in the previous year as the production level was low in 2023. Driven by more supplies, the average carcass price in EU decreased by 6.1% to EUR2.17 (approximately US$2.35) per kg in the Review Period, which represented an average hog price of about EUR1.64 (approximately US$1.77) per kg. Due to lack of price competitiveness and export restrictions caused by animal diseases, total export volume of the EU in the first four months of 2024 decreased by 5.8% over that of the same period in the previous year. Out of which, shipments to China decreased by 18.8%.

RESULTS OF OPERATIONS

	Six months ended 30 June		
	2024	2023	Change
	US$'million	US$'million	%
Revenue[1]			
— Packaged meats[2]	**6,491**	6,653	(2.4)
— Pork[3]	**4,926**	5,580	(11.7)
— Others[4]	**876**	883	(0.8)
	12,293	13,116	(6.3)
Operating profit (loss)			
— Packaged meats[2]	**1,137**	1,068	6.5
— Pork[3]	**95**	(409)	N/A
— Others[4]	**(92)**	(20)	360.0
	1,140	639	78.4

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' operating loss includes corporate expenses.

In the Review Period, revenue of the Group decreased by 6.3% to US$12,293 million as sales volume reduced. Operating profit, on the other hand, significantly increased by 78.4% to US$1,140 million. The primary driver was the turnaround of our pork business.

Amongst all operating segments, packaged meats has always been our core business. During the Review Period, packaged meats accounted for 99.7% of the Group's operating profit and 52.8% of the Group's revenue (Comparable Period: 167.1% and 50.7% respectively).

Management Discussion and Analysis (Continued)

Packaged Meats

	Six months ended 30 June		
	2024	2023	Change
	US$'million	US$'million	%
Revenue			
China	**1,697**	1,960	(13.4)
U.S.	**3,943**	3,947	(0.1)
Europe	**851**	746	14.1
	6,491	6,653	(2.4)
Operating profit			
China	**460**	453	1.5
U.S.	**614**	578	6.2
Europe	**63**	37	70.3
	1,137	1,068	6.5

In the Review Period, our packaged meats sales volume decreased by 6.0% to 1,501 thousand metric tons. In China, sales volume during the Review Period decreased by 9.9% as consumers spent more cautiously. It is our ongoing strategy to transform our product portfolio by continuously introducing new products and developing new channels. Sales volume in the U.S. decreased by 3.4% in the Review Period as consumers were stretched by high level of prices. In Europe, our sales volume increased by 1.6% due to the Acquisition of Argal (as defined hereinbelow).

Revenue in the Review Period decreased by 2.4% to US$6,491 million. In China, revenue decreased by 13.4% because of the decline in sales volume and unfavourable translation of currency. In the U.S., revenue remained stable as the decrease in sales volume was offset by higher average selling price, which was driven by higher meat values. In Europe, revenue in the Review Period increased by 14.1% as we benefited from both higher sales volume and higher average selling price.

Operating profit was US$1,137 million in the Review Period, representing an increase of 6.5% from that of the Comparable Period. In China, operating profit increased by 1.5% in the Review Period as the benefit of lower raw material costs outweighed the negative impact of sales volume decrease and local currency depreciation. In the U.S., our operating profit increased by 6.2% in the Review Period as we recognised certain Employee Retention Tax Credit in relation to COVID-19 pandemic ("**ERC**"). In the meantime, we continued to improve operational efficiency and promote cost savings to offset the inflationary pressure. In Europe, operating profit increased by 70.3% as we priced our products with strong discipline, improved our product mix and completed the Acquisition of Argal.

Pork

	Six months ended 30 June		
	2024	2023	Change
	US$'million	US$'million	%
Revenue			
China	**1,656**	1,981	(16.4)
U.S. and Mexico	**2,710**	3,036	(10.7)
Europe	**560**	563	(0.5)
	4,926	5,580	(11.7)
Operating profit (loss)			
China	**28**	42	(33.3)
U.S. and Mexico	**(4)**	(495)	(99.2)
Europe	**71**	44	61.4
	95	(409)	N/A

Total number of hogs processed in the Review Period was 22,290 thousand heads, representing a decrease of 12.2% over that of the Comparable Period. In China, the number of hogs processed decreased by 31.9% mainly due to keen market competition and soft consumer demand. The processing volume in the U.S. and Mexico as well as Europe decreased by 4.1% and 6.0% respectively as we closed our processing facility in California, the U.S. during the Comparable Period and adjusted our processing volume in each location to optimize operational efficiency during the Review Period. External sales volume of pork was 1,823 thousand metric tons in the Review Period, representing a decrease of 10.0% from that of the Comparable Period. The primary reason of the decrease was the decrease in processing volume in China and the U.S..

Pork revenue in the Review Period decreased by 11.7% to US$4,926 million. In China, revenue decreased by 16.4% mainly due to the decline in sales volume. This was associated with the lower level of processing volume in the Review Period. In the U.S. and Mexico, revenue decreased by 10.7% primarily due to the decrease in the sales of grain and sales volume of pork, which was partially offset by the increase in average selling price of pork. In Europe, revenue decreased by 0.5% as both sales volume and average selling prices remained stable.

Management Discussion and Analysis (Continued)

In the Review Period, we recorded an operating profit of US$95 million (Comparable Period: operating loss of US$409 million). The turnaround was mainly contributed by the reduction of operating loss in the U.S. and Mexico by US$491 million. The improvement of results was primarily due to higher product values of pork, lower feed costs of hog, enhanced operation efficiency of farming and slaughtering, effective cost controls as well as the recognition of certain ERC. In China, operating profit decreased by 33.3% as we were challenged by severe market competition, weak consumer demand and higher hog costs. In Europe, operating profit increased by 61.4% as we benefited from lower feeds, hogs and utilities costs.

Others

In addition to packaged meats and pork, the Group also engages in certain other businesses which mainly include production and sale of poultry products, biological pharmaceutical materials, packaging materials and condiments, provision of logistics and supply chain management services as well as operation of a finance company and a chain of food retail stores.

In particular, our poultry business in Europe and China processed approximately 163 million heads of broiler, goose and turkey in total during the Review Period, representing an increase of 11.6% from that of the Comparable Period. 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 14 provinces in China covering the majority regions of the nation. Apart from delivering our packaged meats and pork to customers timely and safely, these facilities also provide services to third party customers.

In the Review Period, revenue generated by our other businesses remained stable at US$876 million. However, operating loss of our other businesses, after deduction of corporate expenses, increased by US$72 million to US$92 million in the Review Period. The increase in operating loss was primarily due to the loss in our poultry business in China as a result of unfavourable market dynamics as well as the decrease in government subsidies in China. On a positive note, our operating profit from the poultry business in Europe grew significantly, which partially offset the increase in operating loss.

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 mitigation of 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 ample liquidity. As at 30 June 2024, we had cash and bank balances of US$797 million (as at 31 December 2023: US$1,156 million), which were held primarily in RMB and US$. The aggregate amount of unutilised banking facilities as at 30 June 2024 was US$5,499 million (as at 31 December 2023: US$5,569 million). Out of which, committed banking facilities available to the Group as at 30 June 2024 was US$2,856 million (as at 31 December 2023: US$2,763 million).

For yield enhancement purpose, we also hold certain financial products and debt instruments from time to time. Such financial products and debt instruments are classified under current assets as financial assets at fair value through profit or loss and debt investments at amortised cost. As at 30 June 2024, the aggregate balance was US$593 million (as at 31 December 2023: US$546 million). During the Review Period, there was no impairment charges on any of these financial products and debt instruments.

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at 30 June 2024 (as at 31 December 2023: 1.6 times).

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 IDR and senior unsecured rating are BBB+ according to Fitch. Our issuer credit rating is BBB according to S&P Global Ratings. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings are stable.

For our wholly-owned subsidiary, Smithfield, Fitch 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. The credit outlook is also stable.

Management Discussion and Analysis (Continued)

Debt Profile

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

	At 30 June 2024 US$'million	At 31 December 2023 US$'million
Borrowings by nature		
Senior unsecured notes	1,981	1,979
Bank borrowings	1,360	1,246
Loans from third parties	5	3
Bank overdrafts	27	—
	3,373	3,228
Borrowings by geographical region		
U.S. and Mexico	1,990	1,991
China	1,294	1,173
Europe	89	64
	3,373	3,228
Borrowings by currency		
US$	1,981	1,980
RMB	1,136	1,093
Other currencies	256	155
	3,373	3,228

The Group's total principal amount of outstanding borrowings as at 30 June 2024 was US$3,397 million (as at 31 December 2023: US$3,252 million). The maturity profile is analysed as follows:

	Total
In 2024	36%
In 2025	1%
In 2026	4%
In 2027	17%
In 2029	12%
In 2030	15%
In 2031 or after	15%
	100%

As at 30 June 2024, 99.9% of our borrowings were unsecured (as at 31 December 2023: 99.8%). 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.

Major Financing Activities

There were no major financing activities in the Review Period.

Leverage Ratios

As at 30 June 2024, 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 31.3% and 23.9%, respectively (as at 31 December 2023: 30.5% and 19.6%, 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 30 June 2024, were 1.4 times and 1.1 times, respectively (as at 31 December 2023: 1.6 times and 1.1 times, respectively).

Finance Costs

Our finance costs decreased by 12.9% to US$74 million in the Review Period as we benefited from lower average interest rates on our borrowings.

As at 30 June 2024, the average interest rate of our outstanding borrowings was 3.1% (as at 31 December 2023: 3.2%).

Management Discussion and Analysis (Continued)

HUMAN RESOURCES

We believe that the success of the Group largely depends on our capacity to attract and retain a dynamic workforce. As at 30 June 2024, the Group had approximately 101 thousand employees in total, in which approximately 45 thousand employees were with our China operation, approximately 37 thousand employees were with our U.S. and Mexico operations and approximately 19 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 the Pre-IPO Share Option Scheme in 2014. All outstanding options granted under the scheme automatically lapsed on 4 August 2024 pursuant to the rules of the Pre-IPO Share Option Scheme. In the Review Period, total remuneration expenses of the Group amounted to US$2,009 million, representing a decrease of 3.8% from that of the Comparable Period, as a result of effective cost control.

BIOLOGICAL ASSETS

As at 30 June 2024, we had a total of 12.5 million hogs, consisting of 11.5 million live hogs and 1.0 million breeding stock, representing an increase of 3.8% from that of 31 December 2023. We also had a total of 30.5 million poultry, consisting of 27.7 million broilers and 2.8 million breeding stock, an increase of 12.6% from that of 31 December 2023. The fair value of our biological assets was US$1,388 million as at 30 June 2024, as compared to US$1,363 million as at 31 December 2023.

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 the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$96 million (Comparable Period: gain of US$38 million).

KEY INVESTMENT INTERESTS

Purchase of packaged meats facility in Tennessee, the U.S.

In July 2024, the Group completed the purchase of a premier dry sausage production facility in Tennessee from Cargill Meat Solutions Corporation. We expect this investment would fuel our strategy of continued growth in the value-added packaged meats business, enhancing our ability to serve the growing demand for high-quality pepperoni, deli, charcuterie and other dry sausage products in the U.S..

Acquisition of Argal

In March 2024, the Group completed the acquisition of 50.1% equity interest in Argal Alimentación, S.A. ("**Argal**"), a Spanish producer of charcuterie and other packaged meats products. The acquisition of Argal was based on an agreed framework of joint management with the original shareholders of Argal, who are currently holding the remaining 49.9% equity interest in Argal. We expect Argal would be a solid platform for our packaged meats growth in Spain and in Europe.

Restructuring of Hog Production in Missouri and Utah, the U.S.

As the hog production part of our pork business experienced significant difficulty in the U.S. during 2023, the Group took severe reformation measures such as reduction of sows, reshuffle of operation geographically, closure of underperforming farms, termination of unqualified contract growers, etc. in Missouri and Utah to sustainably mitigate the operational risks and improve the financial performance of the Group. In the Review Period, an exit cost of US$10 million was incurred (Comparable Period: US$19 million).

Restructuring of operations in Western U.S.

The Group closed our processing facility in California, exited certain hog farm operations in Arizona and California, and reduced our sow herd in Utah during 2023, as operating in these areas had been increasingly costly. During the Review Period, we continued to incur exit and restructuring costs amounted to US$19 million (Comparable Period: US$44 million). As we sold the aforesaid processing facility to an independent third party in June 2023, a pre-tax disposal gain of US$86 million was also recognized in the Comparable Period.

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.

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$349 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
China	**117**	230
U.S. and Mexico	**173**	167
Europe	**59**	51
	349	448

During the Review Period, our capital expenditures in China were mainly for the establishment and transformation of poultry and packaged meats production facilities. Our capital expenditures in the U.S. and Mexico were primarily related to the modernisation of our processing plants and expansion of our packaged meats capacity. Our capital expenditures in Europe were mainly for the additions of poultry production line and other supporting facilities.

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

Commodities Price Risks

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

In China, we mitigate the effects of price fluctuations through effective reserves management strategy, pass-through of costs and overseas imports. In the U.S., our vertically integrated supply chain helps the natural hedge of commodities price changes. These commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risks. The main objective of hedges is to manage 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 policy and procedures in the management of these hedging activities under a dedicated and professional team.

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. As at 30 June 2024, approximately 93.3% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at 31 December 2023: 88.9%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedges (if appropriate).

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 16 defendants by three groups of plaintiffs (namely the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers) and certain individuals in the U.S. alleging antitrust violations in the pork industry starting in 2009 and continuing through at least June 2018 (the "**Antitrust Litigation**").

Payments in an aggregated amount of approximately US$194 million were subsequently made to settle all class claims by the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers ("**Class Settlements**"). Smithfield has also entered into negotiations to settle certain outstanding non-class cases and related claims. Currently, 29 individual cases (including customers who opted out of the Class Settlements) remain pending against the Group. We intend to vigorously defend against these claims.

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 of the Antitrust Litigation and other lawsuits are set out in note 18 to the interim financial information of this report.

EVENTS AFTER THE REVIEW PERIOD

On 12 July 2024, the Company submitted a proposed spin-off application to the Stock Exchange (after trading hours) pursuant to Practice Note 15 of the Listing Rules regarding the proposed spin-off of the businesses of Smithfield operated in the United States and Mexico ("**Smithfield U.S. and Mexico**") for separate listing on either the New York Stock Exchange or Nasdaq Stock Market in the U.S. (the "**Proposed Spin-off**"). It is currently expected that Smithfield U.S. and Mexico, after the completion of the Proposed Spin-off, will remain as a subsidiary of the Company and its financial results will continue to be consolidated into the Company's financial results.

The details of the Proposed Spin-off have not yet been finalized. The Proposed Spin-off also may or may not proceed. The Company will make further announcement(s) in this regard pursuant to the requirements under the Listing Rules and the applicable laws and regulations as and when appropriate. For details, please refer to the announcement of the Company dated 14 July 2024.

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 reviewed the key environmental, social and governance risks faced by the Group, and its risk mitigation controls that presented by the management, assessed and endorsed the Group's progress made in light of the environmental targets and amendment made to the Group's corporate principles. The Committee also approved the 2023 Environmental, Social and Governance Report of the Group. The Group's 2023 Environmental, Social and Governance Report was officially released on 15 April 2024.

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 among 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 the Group's corporate principles.

As at 30 June 2024, the Company remained a constituent stock of the Hang Seng Corporate Sustainability Index ("**HSSUS**") with A+ grade, and has retained an ESG rating of BBB with MSCI, the world's largest index company.

OUTLOOK

The Company achieved significant increase in profits for the Review Period. One of the key drivers was the substantial improvement of our U.S. pork results as market dynamics has become more favourable than the Comparable Period and we implemented a series of reform measures to strengthen our hog production operation. We expect the impact of those measures would continue to be positive to the Company for the remainder of the year. In the meantime, macro-economic headwinds is weighing on consumer confidence and therefore consumption demand. To adapt to the ever-changing market environment and respond to the various challenges, we will rigorously promote adjustment of product mix, expand sales network, manage prices, and save costs. With the competitive advantages of the Group, we believe that the financial results of our core business, packaged meats, would remain strong and resilient while the financial results of our pork business would grow significantly for this year. With the joint effort of our management team, the Company would strive for a good recovery of overall profitability in 2024 and lay the foundation of steady development of the Group in the future.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 59, which comprises the condensed consolidated statement of financial position of WH Group Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2024 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 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 2024 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
13 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June 2024			For the six months ended 30 June 2023		
		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	12,293	–	12,293	13,116	–	13,116
Cost of sales		(9,820)	164	(9,656)	(11,090)	722	(10,368)
Gross profit		2,473	164	2,637	2,026	722	2,748
Distribution and selling expenses		(896)	–	(896)	(998)	–	(998)
Administrative expenses		(463)	–	(463)	(433)	–	(433)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		–	26	26	–	(499)	(499)
Loss arising from changes in fair value less costs to sell of biological assets		–	(60)	(60)	–	(176)	(176)
Other income		44	–	44	78	–	78
Other gains and (losses)		(1)	–	(1)	76	–	76
Other expenses		(42)	–	(42)	(54)	–	(54)
Finance costs		(74)	–	(74)	(85)	–	(85)
Share of profits of associates		–*	–	–*	2	–	2
Share of losses of joint ventures		(–*)	–	(–*)	(2)	–	(2)
PROFIT BEFORE TAX	4	1,041	130	1,171	610	47	657
Taxation	5	(245)	(34)	(279)	(108)	(9)	(117)
PROFIT FOR THE PERIOD		796	96	892	502	38	540
Other comprehensive income for the period:							
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				(152)			(29)
– fair value changes in cash flow hedge, net of tax				23			(21)
Net other comprehensive income that may be reclassified subsequently to profit or loss				(129)			(50)

* Less than US$1 million.

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

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June 2024			For the six months ended 30 June 2023		
		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 for the period, net of tax				(129)			(50)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				763			490
Profit for the period attributable to:							
– owners of the Company				784			420
– non-controlling interests				108			120
				892			540
Total comprehensive income for the period attributable to:							
– owners of the Company				672			413
– non-controlling interests				91			77
				763			490
EARNINGS PER SHARE	7						
– Basic (US cents)				6.11			3.27
– Diluted (US cents)				6.11			3.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 US$'million (Unaudited)**	31 December 2023 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**6,528**	6,602
Right-of-use assets		**642**	687
Biological assets	9	**230**	214
Goodwill		**2,119**	2,043
Intangible assets		**1,706**	1,707
Interests in associates		**133**	134
Interests in joint ventures		**88**	90
Other receivables		**55**	68
Financial assets at fair value through profit or loss		**2**	2
Pledged bank deposits		**7**	4
Deferred tax assets		**87**	86
Other non-current assets		**259**	228
Total non-current assets		**11,856**	11,865
CURRENT ASSETS			
Properties under development	8	**59**	77
Biological assets	9	**1,158**	1,149
Inventories	10	**2,921**	2,919
Trade and bills receivables	11	**895**	873
Prepayments, other receivables and other assets		**541**	503
Debt investments at amortised cost		**296**	469
Financial assets at fair value through profit or loss		**304**	86
Taxation recoverable		**26**	7
Pledged/restricted bank deposits		**66**	75
Cash and bank balances		**797**	1,156
Total current assets		**7,063**	7,314
CURRENT LIABILITIES			
Trade payables	12	**928**	1,240
Accrued expenses and other payables	13	**1,701**	2,150
Lease liabilities		**78**	99
Taxation payable		**78**	63
Borrowings	14	**1,225**	1,106
Bank overdrafts	14	**27**	—
Total current liabilities		**4,037**	4,658

Condensed Consolidated Statement of Financial Position (Continued)

30 June 2024

	Notes	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
NET CURRENT ASSETS		3,026	2,656
TOTAL ASSETS LESS CURRENT LIABILITIES		14,882	14,521
NON-CURRENT LIABILITIES			
Other payables	13	584	459
Lease liabilities		366	391
Borrowings	14	2,121	2,122
Deferred tax liabilities		630	570
Deferred revenue		12	10
Pension liability and other retirement benefits	15	399	394
Total non-current liabilities		4,112	3,946
NET ASSETS		10,770	10,575
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		10,057	9,830
Equity attributable to owners of the Company		10,058	9,831
Non-controlling interests		712	744
TOTAL EQUITY		10,770	10,575

The interim condensed consolidated financial information on pages 21 to 59 were approved and authorised for issue by the Board of Directors on 13 August 2024 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million (Note (b))	Other reserve US$'million (Note (c))	Statutory surplus reserve US$'million (Note (d))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At 1 January 2024 (Audited)	1	1,083	753	(154)	(215)	276	8,087	9,831	744	10,575
Profit for the period	–	–	–	–	–	–	784	784	108	892
Exchange differences arising on translation of foreign operations	–	–	–	(135)	–	–	–	(135)	(17)	(152)
Fair value changes in cash flow hedge	–	–	–	–	23	–	–	23	–	23
Total comprehensive income for the period	–	–	–	(135)	23	–	784	672	91	763
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(12)	(12)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(103)	(103)
Dividend	–	–	–	–	–	–	(410)	(410)	–	(410)
Fair value adjustment of contractual put option in relation to non-controlling interests (Note (e))	–	–	(35)	–	–	–	–	(35)	–	(35)
Transfer of contractual put option in relation to non-controlling interests (Note (e))	–	–	–	–	–	–	–	–	(8)	(8)
Transfer	–	–	–	–	–	(5)	5	–	–	–
	–	–	(35)	–	–	(5)	(405)	(445)	(123)	(568)
At 30 June 2024 (Unaudited)	1	1,083	718	(289)	(192)	271	8,466	10,058	712	10,770
At 1 January 2023 (Audited)	1	1,083	786	(289)	(202)	274	7,947	9,600	812	10,412
Profit for the period	–	–	–	–	–	–	420	420	120	540
Exchange differences arising on translation of foreign operations	–	–	–	14	–	–	–	14	(43)	(29)
Fair value changes in cash flow hedge	–	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive income for the period	–	–	–	14	(21)	–	420	413	77	490
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(153)	(153)
Dividend	–	–	–	–	–	–	(409)	(409)	–	(409)
Lapse of share options	–	–	–	–	(3)	–	3	–	–	–
Transfer of contractual put option in relation to non-controlling interests (Note (e))	–	–	–	–	–	–	–	–	8	8
	–	–	–	–	(3)	–	(406)	(409)	(145)	(554)
At 30 June 2023 (Unaudited)	1	1,083	786	(275)	(226)	274	7,961	9,604	744	10,348

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

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) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Other reserve

Other reserve mainly included the fair value of the share options, remeasurement deficit of the defined benefit pension plans and cumulative net change in fair value in cash flow hedge attributable to the Group.

(d) 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.

(e) Transfer of contractual put option in relation to non-controlling interests

The Group held contractual put options in relation to non-controlling interests ("**NCI**") shares in subsidiaries. The NCI shareholders can require the Group to acquire the shares of that subsidiary at a future date. The Group applied the partial recognition of NCI method for its put option, of which the profit for the year shared by the NCI shareholders in relation to the portion of the put option is recorded as a liability in "accrued expenses and other payables" in the condensed consolidated statement of financial position as at the end of the reporting period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**689**	2
INVESTING ACTIVITIES		
Interest received	**16**	27
Additions of property, plant and equipment	**(349)**	(437)
Additions of right-of-use assets	**–**	(11)
Proceeds from disposal of property, plant and equipment	**3**	212
Dividends received from associates	**4**	5
Net cash outflow on acquisition of subsidiaries	**(82)**	(35)
Purchase of financial assets at fair value through profit or loss	**(925)**	(879)
Proceeds from disposal of financial assets at fair value through profit or loss	**703**	832
Purchase of debt investments at amortised cost	**(76)**	(602)
Proceeds from disposal of debt investments at amortised cost	**244**	502
Placement of pledged/restricted bank deposits	**(35)**	(58)
Withdrawal of pledged/restricted bank deposits	**39**	72
Insurance claims on property, plant and equipment	**2**	6
Purchases of other assets	**(3)**	(6)
Proceeds from sale of other assets	**–**	9
Net cash flows used in investing activities	**(459)**	(363)
FINANCING ACTIVITIES		
Interest paid	**(70)**	(86)
Dividends paid to shareholders and non-controlling interests	**(514)**	(161)
Proceeds from borrowings, net of transaction costs	**2,680**	6,097
Repayment of borrowings	**(2,619)**	(6,001)
Acquisition of additional interests in subsidiaries	**(12)**	–
Lease payments	**(64)**	(49)
Debt issuance costs on issuance of senior notes, term loan and credit facility	**–**	(2)
Net cash flows used in financing activities	**(599)**	(202)

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	**(369)**	(563)
Cash and cash equivalents at beginning of period	**1,156**	1,394
Effect of foreign exchange rate changes	**(17)**	(14)
Cash and cash equivalents at end of period	**770**	817
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**797**	828
Bank overdrafts	**(27)**	(11)
	770	817

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The interim condensed consolidated 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 condensed consolidated financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with *International Financial Reporting Standards* ("**IFRSs**") issued by the IASB, except for adoption of the revised IFRSs as disclosed in note 2 below.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

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

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

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. The amendments did not have material impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, who are also the chief operating decision-makers, that are used to make strategic decisions. The Group's reportable segments, which are also the operating segments, are classified based on their locations including China, the 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 segment, other expenses, finance costs and share of profits (losses) of associates and joint ventures. This is the measure reported to the chief operating decision-makers for the purposes of resources allocation and assessment of segment performance.

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

3. SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June 2024			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	1,697	1,894	731	4,322
Less: Inter-segment revenue	—*	(238)	(189)	(427)
Revenue	1,697	1,656	542	3,895
Reportable segment profit (loss)	460	28	(41)	447
U.S. and Mexico				
Gross segment revenue	3,944	4,344	22	8,310
Less: Inter-segment revenue	(1)	(1,634)	(1)	(1,636)
Revenue	3,943	2,710	21	6,674
Reportable segment profit (loss)	614	(4)	(66)	544
Europe				
Gross segment revenue	873	818	394	2,085
Less: Inter-segment revenue	(22)	(258)	(81)	(361)
Revenue	851	560	313	1,724
Reportable segment profit	63	71	15	149
Total				
Gross segment revenue	6,514	7,056	1,147	14,717
Less: Inter-segment revenue	(23)	(2,130)	(271)	(2,424)
Revenue#	6,491	4,926	876	12,293
Reportable segment profit (loss)	1,137	95	(92)	1,140
Net unallocated expenses				(25)
Biological fair value adjustments				130
Finance costs				(74)
Share of profits of associates				—*
Share of losses of joint ventures				(—*)
Profit before tax				1,171

* Less than US$1 million.

3. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2023			
	Packaged meats US$'million (Unaudited)	Pork US$'million (Unaudited)	Others US$'million (Unaudited)	Total US$'million (Unaudited)
China				
Gross segment revenue	1,960	2,337	757	5,054
Less: Inter-segment revenue	—	(356)	(213)	(569)
Revenue	1,960	1,981	544	4,485
Reportable segment profit	453	42	25	520
U.S. and Mexico				
Gross segment revenue	3,947	4,490	25	8,462
Less: Inter-segment revenue	—*	(1,454)	—	(1,454)
Revenue	3,947	3,036	25	7,008
Reportable segment profit (loss)	578	(495)	(47)	36
Europe				
Gross segment revenue	768	858	388	2,014
Less: Inter-segment revenue	(22)	(295)	(74)	(391)
Revenue	746	563	314	1,623
Reportable segment profit	37	44	2	83
Total				
Gross segment revenue	6,675	7,685	1,170	15,530
Less: Inter-segment revenue	(22)	(2,105)	(287)	(2,414)
Revenue#	6,653	5,580	883	13,116
Reportable segment profit (loss)	1,068	(409)	(20)	639
Net unallocated income				56
Biological fair value adjustments				47
Finance costs				(85)
Share of profits of associates				2
Share of losses of joint ventures				(2)
Profit before tax				657

* Less than US$1 million.

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

3. SEGMENT INFORMATION (Continued)

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

Geographical information

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

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**305**	318
Depreciation of right-of-use assets	**44**	48
Amortisation of intangible assets included in administrative expenses	**5**	5
Inventories provisions, net, included in cost of sales	**4**	26
Impairment loss on property, plant and equipment	**—***	2
Impairment loss on trade receivables, net, included in administrative expenses	**1**	1
Lease payments not included in the measurement of lease liabilities	**98**	92
Research and development expenses	**101**	92
Staff costs (excluding directors' remuneration)	**2,001**	2,081
Legal contingencies	**—**	3
Loss (gain) on disposal of property, plant and equipment, net	**1**	(84)
Loss on disposal of other assets	**7**	—
Fair value gain on financial assets at fair value through profit or loss	**(4)**	(6)

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

* Less than US$1 million.

5. TAXATION

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
China income tax	**109**	112
U.S. income tax	**92**	(19)
Europe income taxes	**37**	16
Other income taxes	**—***	—*
Withholding tax	**18**	18
Deferred taxation	**23**	(10)
	279	117

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

* Less than US$1 million.

6. DIVIDENDS

At the Company's annual general meeting held on 9 May 2024, the shareholders of the Company approved the payment of a final dividend of HK$0.25 per share (year ended 31 December 2022: HK$0.25 per share) of the Company for the year ended 31 December 2023, as recommended by the Board, which was paid in cash to the shareholders of the Company on 30 May 2024, whose names appeared on the register of members of the Company on 21 May 2024.

The Board declared an interim dividend of HK$0.10 per share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on 30 August 2024. The dividend is to be paid in cash to the shareholders of the Company on or about 25 September 2024.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**784**	420

	Six months ended 30 June	
	2024	2023
	million shares	million shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of diluted earnings per share (Note)	**12,830.22**	12,830.22

Note: Diluted earnings per share for the six months ended 30 June 2024 and 30 June 2023 were the same as the basic earnings per share as the Group had no potentially dilutive ordinary shares during the periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 June 2024, the Group incurred US$277 million (six months ended 30 June 2023: US$296 million) on the additions of items of property, plant and equipment.

During the six months ended 30 June 2024, the Group incurred nil (six months ended 30 June 2023: US$10 million) on the additions to properties under development.

9. BIOLOGICAL ASSETS

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

	30 June 2024 Head' million (Unaudited)	31 December 2023 Head' million (Audited)
Live hogs		
— suckling	**2**	2
— nursery	**2**	1
— finishing	**8**	8
	12	11
Breeding stock (hogs)	**1**	1
	13	12
Broilers	**28**	24
Breeding stock (poultry)	**3**	3
	31	27

9. BIOLOGICAL ASSETS (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, disease controls 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:

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Current assets	**1,158**	1,149
Non-current assets	**230**	214
	1,388	1,363

9. BIOLOGICAL ASSETS (Continued)

Fair value measurement

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

The fair value of breeding stock (poultry) is determined by the replacement cost method, which is based on the cost of restoring the breeders to their original condition, taking into account the newness and residual value. The estimated fair value will increase when there is an increase in the chicken breeds price or breeding cost, or decrease in the culling rate, and vice versa.

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

10. INVENTORIES

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Raw materials	**1,149**	1,425
Work in progress	**334**	172
Finished goods	**1,438**	1,322
	2,921	2,919

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

11. TRADE AND BILLS RECEIVABLES

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Trade receivables	907	887
Impairment	(15)	(16)
	892	871
Bills receivable	3	2
	895	873

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

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Within 30 days	873	784
31 to 90 days	11	88
91 to 180 days	6	1
Over 180 days	5	—*
	895	873

* Less than US$1 million.

12. TRADE PAYABLES

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

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

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Within 30 days	**923**	1,227
31 to 90 days	**2**	9
91 to 180 days	**1**	3
181 to 365 days	**2**	1
	928	1,240

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

13. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Accrued staff costs	**408**	543
Deposits received	**71**	75
Sales rebates payables	**147**	153
Payables in respect of acquisition of property, plant and equipment	**192**	263
Accrued insurance	**140**	136
Interest payable	**24**	24
Redeemable non-controlling interests	**372**	249
Growers payables	**45**	48
Pension liability	**23**	23
Derivative financial instruments	**19**	30
Accrued professional expenses	**12**	8
Accrued rent and utilities	**33**	35
Dividend payables	**5**	8
Contract liabilities	**278**	298
Other accrued expenses	**393**	523
Other payables	**123**	193
	2,285	2,609
Analysed for reporting purposes as:		
Current liabilities	**1,701**	2,150
Non-current liabilities	**584**	459
	2,285	2,609

14. BORROWINGS

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	**598**	598
5.200% senior unsecured notes due April 2029	**397**	397
3.000% senior unsecured notes due October 2030	**493**	492
2.625% senior unsecured notes due September 2031	**493**	492
	1,981	1,979
Commercial papers (Note i)	**—**	—
Bank loans (Note ii):		
Secured	**—**	7
Unsecured	**1,360**	1,239
Loans from third parties (Note iii):		
Secured	**1**	1
Unsecured	**4**	2
Total borrowings other than bank overdrafts	**3,346**	3,228
Bank overdrafts	**27**	—
The borrowings are repayable as follows (Note iv):		
Within one year	**1,225**	1,106
One to two years	**7**	12
Two to five years	**1,126**	728
After five years	**988**	1,382
	3,346	3,228
Less: Amounts due within one year shown under current liabilities	**(1,225)**	(1,106)
Amounts due after one year	**2,121**	2,122
Total borrowings:		
At fixed rates	**3,121**	2,870
At floating rates	**225**	358
	3,346	3,228

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

14. BORROWINGS (Continued)

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 amount of outstanding commercial papers. The maximum issuance capacity under the program is US$2,100 million (31 December 2023: US$1,750 million). There were no commercial papers were outstanding as at 30 June 2024 (31 December 2023: Nil).

ii. Bank loans carry interest at fixed rates ranging from 0.70% to 3.50% per annum (31 December 2023: from 0.70% to 3.75%) and at floating rates ranging from Euro Interbank Offered Rate ("**Euribor**") + 0.35% to Warsaw Interbank Offered Rate ("**WIBOR**") + 1.4% per annum at 30 June 2024 (31 December 2023: from Hong Kong Interbank Offered Rate ("**HIBOR**") + 0.5% to WIBOR + 1.4% per annum).

iii. Loans from third parties carry interest at fixed rate of 0.00% – 3.53% per annum at 30 June 2024 (31 December 2023: 0.90% per annum).

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

Certain borrowings as at 30 June 2024 are secured by the Group's pledged bank deposits of US$3 million (31 December 2023: US$4 million).

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, or dispose of or transfer assets, in each case, subject to certain qualifications and exceptions. The Group has no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the six months ended 30 June 2024 and the year ended 31 December 2023.

Smithfield Receivables Funding, LLC ("**Smithfield Receivables**"), a wholly-owned subsidiary of the Group, has a securitisation facility that will mature in December 2025. As part of the arrangement, certain trade receivables are sold to a wholly-owned "bankruptcy remote" special purpose vehicle ("**SPV**"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the condensed consolidated statement of financial position of the Group. However, trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield Receivables if Smithfield Receivables was to become insolvent. As at 30 June 2024, the SPV held US$374 million (31 December 2023: US$370 million) of trade receivables and had outstanding borrowings of US$23 million (31 December 2023: US$23 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at 30 June 2024 and 31 December 2023.

15. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS

Defined Benefit Plans

The group entities which operate in the U.S. operate funded defined benefit scheme for all their qualified employees, and pension benefits provided by the Group are currently organised primarily through defined benefit pension plans. Salaried employees are provided with benefits based on years of service and average salary levels. Hourly employees are provided with benefits of stated amounts for each year of service.

The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers, employees and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

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

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

The policy for the plans is consistently applied at 30 June 2024 and 31 December 2023.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2023 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.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

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

The Group's employees in Europe participate in pension scheme and retirement plan implemented by the respective local government. The Group make contribution as required by the retirement plan.

The Group has defined contribution plans (401(K) plans) covering substantially all 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$77 million during the six months ended 30 June 2024 (six months ended 30 June 2023: US$78 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. BUSINESS COMBINATIONS

Acquisition of Argal

On 28 March 2024, the Group completed the acquisition of 50.1% of the equity interests in Argal Alimentación, S.A. ("**Argal**"), a Spanish producer of charcuterie and other packaged meats products, from an independent third party.

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

16. BUSINESS COMBINATIONS (Continued)

Acquisition of Argal (Continued)

Fair value assessments

The fair values of the identifiable assets and liabilities of Argal as at the date of acquisition are set out below:

	(Provisional) US$'million
Property, plant and equipment	72
Intangible assets	12
Inventories	174
Trade and bills receivables	19
Prepayments, other receivables, and other assets	10
Cash and bank balances	6
Trade payables	(96)
Accrued expenses and other payables	(9)
Borrowings	(83)
Other liabilities	(98)
Total identifiable net assets at fair value	7
Goodwill	91
	98
Satisfied by:	
Cash	98
Analysis of the cash flows in respect of the acquisition is as follows:	
Cash consideration	(98)
Cash and bank balances acquired	6
Deferred payment	10
Net outflow of cash and cash equivalents in cash flows used in investing activities	(82)
Transaction costs paid during the year included in cash flows from operating activities	—*
	(82)

* Less than US$1 million.

16. BUSINESS COMBINATIONS (Continued)

Acquisition of Argal (Continued)

Fair value assessments (Continued)

Since the completion of acquisition, Argal contributed US$85 million to the Group's revenue and US$2 million to the consolidated profit for the six months ended 30 June 2024.

Had the combination taken place at the beginning of the period, the revenue and the consolidated profit for the six months ended 30 June 2024 of the Group would have been US$12,295 million and US$892 million, respectively.

Information on prior year acquisition

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.

Acquisition of DeVeris

In May 2023, the Group acquired an 80% interest in DeVeris Polska Sp. z o.o. ("**DeVeris**"), a Polish processor of poultry by-products. DeVeris operates a production facility in Turek, Poland. The acquisition of DeVeris expands the Group's vertically integrated business in Poland by enabling further processing of both pork and poultry by-products.

Since the completion of acquisition, Goodies and DeVeris contributed US$13 million to the Group's revenue and US$1 million to the Group's consolidated profit for the six months ended 30 June 2023.

16. BUSINESS COMBINATIONS (Continued)

Information on prior year acquisition (Continued)

Fair value assessments

The fair values of aggregated identifiable assets and liabilities of Goodies and DeVeris as at the date of acquisition are set out below:

	Acquisition of companies individually not significant US$'million
Property, plant and equipment	24
Inventories	5
Trade and bills receivables	4
Cash and bank balances	5
Trade payables	(6)
Accrued expenses and other payables	(1)
Lease liabilities	(1)
Other liabilities	(15)
Total identifiable net assets at fair value	15
Goodwill	27
	42
Satisfied by:	
Cash	37
Contingent consideration	5
	42
An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:	
Cash consideration	(37)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents in cash flows used in investing activities	(32)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

17. COMMITMENTS

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

	30 June 2024 US$'million (Unaudited)	31 December 2023 US$'million (Audited)
Contracted but not provided for, in respect of:		
Acquisition of property, plant and equipment	**89**	144
Capital contribution to other investments	**12**	9

18. REGULATIONS AND CONTINGENCIES

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

The Group established a reserve 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.

Antitrust Litigations

Smithfield Foods Inc. ("**Smithfield**"), a wholly-owned subsidiary of the Company, has been named as one of 16 defendants in a series of purported class actions alleging antitrust violations in the pork industry (the "**Antitrust Litigations**"). The purported class cases have been filed by three different classes of named plaintiffs: (i) direct purchasers (companies that purchase pork products directly from pork producers), (ii) commercial indirect purchasers (companies such as restaurants and hotels that purchase pork from wholesalers for resale), and (iii) individual indirect purchasers (such as people who purchase pork at grocery stores). In all of these cases, the plaintiffs alleged that starting in 2009 and continuing through at least June 2018, the defendant pork producers agreed to reduce the supply of hogs in the United States in order to raise the price of hogs and all pork products. The plaintiffs in all of these cases also challenged the defendant pork producers' use of benchmarking reports from defendant Agri Stats, Inc., alleging that the reports allowed the pork producers to share proprietary information and monitor each producer's compliance with the supposed agreement to reduce supply. The direct purchasers seek treble damages, attorneys' fees, and costs under the federal antitrust laws of the United States and the two groups of indirect purchasers seek treble damages, attorneys' fees, and costs under various state antitrust and consumer-protection statutes of the United States. The Group settled all class claims in 2021 and 2022 for US$83 million and US$111 million, respectively.

18. REGULATIONS AND CONTINGENCIES (Continued)

Antitrust Litigations (Continued)

In addition to the class actions, the Group has been named as a defendant in similar antitrust lawsuits brought by a number of individual purchasers who opted out of the class. The plaintiffs in these non-class cases assert the same or similar antitrust claims as the plaintiffs in the class actions. The Group has entered into negotiations with many of these plaintiffs and has settled certain of these cases. Currently, 29 of these cases are pending against the Group.

The Attorneys General for the states of New Mexico and Alaska and the Commonwealth of Puerto Rico filed similar complaints on behalf of their respective states, territories, agencies and citizens. The Group has settled with Puerto Rico and Alaska. The Group intends to vigorously defend against the remaining claims.

Antitrust Wage-Fixing Litigation

On 11 November 2022, Smithfield and Smithfield Packaged Meats Corp., a wholly-owned subsidiary of Smithfield, were named as two of numerous defendants in a purported class action complaint filed in the United States District Court for the District of Colorado alleging wage-fixing violations in the red meat industry. Plaintiffs alleged that the defendants, most of whom operate beef or pork processing plants, conspired to suppress wages paid to plant workers in the United States in violation of the antitrust laws. Plaintiffs sought damages on behalf of all employees of defendants and their subsidiaries from 1 January 2014, to the present. Plaintiffs also sought treble damages and attorneys' fees. Plaintiffs subsequently filed an amended complaint adding additional defendants, including a wholly-owned subsidiary of Smithfield, Murphy-Brown of Missouri, LLC (which has been dismissed voluntarily), expanding the class period back to 2000, and adding additional factual allegations.

Since the case was filed, several defendants have settled. On 5 April 2024, the defendants who have settled with the plaintiffs moved to dismiss the amended complaint. The Group intends to vigorously defend against these claims.

Maxwell Foods Litigation

On 13 August 2020, Maxwell Foods, LLC ("**Maxwell**") filed a complaint against Smithfield in the General Court of Justice, Superior Court Division for Wayne County, North Carolina. The complaint alleged that Smithfield breached the Production Sales Agreement ("**PSA**") between the parties (as well as the duty of good faith and fair dealing): (i) by failing to provide Maxwell with the same pricing as other major hog suppliers in violation of a purported "Most-Favored-Nation Provision" found in a 6 December 1994 letter to Maxwell; (ii) by failing to comply with an implicit duty to negotiate the PSA to provide alternative pricing to Maxwell when the Iowa-Southern Minnesota market allegedly ceased to be viable; and (iii) by failing to purchase Maxwell's entire output of hogs since April 2020.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

18. REGULATIONS AND CONTINGENCIES (Continued)

Maxwell Foods Litigation (Continued)

Smithfield filed a notice of removal to the United States District Court of the Eastern District of North Carolina. Smithfield also filed a motion to dismiss several of Maxwell's claims. On 22 February 2021, the U.S. District Court granted Maxwell's motion to remand the case to the Superior Court of Wayne County and left Smithfield's partial motion to dismiss the complaint for consideration by the state court in Wayne County.

On 1 March 2021, Maxwell filed an amended complaint, which added a claim under the North Carolina Unfair and Deceptive Trade Practices Act ("**UDTPA**"). Smithfield filed a notice of designation seeking assignment of the case to the North Carolina Business Court. Maxwell objected to such designation, and on 13 April 2021 the Business Court overruled Maxwell's objection.

The Business Court also dismissed two of Maxwell's claims: the implied duty to negotiate claim and the UDTPA claim. Maxwell subsequently filed another amended complaint adding a fraudulent concealment claim and a new breach of contract claim, as well as a request for punitive damages. The court dismissed the fraudulent concealment claim and the request for punitive damages. The three remaining claims, all for breach of contract, are: (1) the claim under the "Most-Favored-Nation Provision," (2) the claim that Smithfield failed to purchase Maxwell's entire output of hogs since April 2020, and (3) the claim that from time to time, Smithfield would calculate Maxwell's payment for a delivery of hogs using an average of the preceding week's weight rather than the actual weights of the hogs being delivered.

The parties filed cross-motions for summary judgment and related motions to exclude expert testimony, which were fully briefed on 17 November 2023. The Group intends to vigorously defend against the remaining claims.

Barden Hog Farm Litigation

On 18 May 2020, a claim was filed by 20 plaintiffs in the U.S. District Court for the Eastern District of North Carolina against Smithfield and Murphy-Brown LLC, a wholly-owned subsidiary of Smithfield. The claims all arise from hog farms in Magnolia, Duplin County, which purportedly allow "odor, urine, feces, manure, flies and other vectors to trespass onto Plaintiffs' properties." Counts brought by the plaintiffs are trespass, negligence, civil conspiracy, unfair and deceptive trade practices, and unjust enrichment.

On 13 July 2020, Smithfield filed a motion to dismiss to narrow plaintiffs' legal theories, and a motion to strike certain objectionable allegations in the plaintiffs' complaint. The plaintiffs voluntarily dismissed their unfair and deceptive trade practices claims, and on 15 March 2021, the court granted in part and denied in part the motion to dismiss, dismissing plaintiffs' civil conspiracy and unjust enrichment claims with prejudice. The court also denied the defendants' motion to strike certain objectionable allegations in the complaint.

Discovery has been completed, and Smithfield filed a motion for summary judgment seeking dismissal of all claims on 30 December 2022. On 16 August 2023, the court granted Smithfield's motion for summary judgment, dismissed all claims with prejudice, and closed the case. Plaintiffs did not appeal.

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 condensed consolidated financial information approximate their fair values due to the short-term maturities of these instruments.

The fair values of non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and the management of the Company has assessed that the fair values of non-current financial assets and financial liabilities approximately to their carrying amount. The Group's own non-performance risk for non-current financial liabilities as at 30 June 2024 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).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2024

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	At 30 June 2024			
	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	7	2	297	306
Derivative financial assets	120	13	16	149
Other non-current assets	96	86	11	193
Financial assets included in prepayments, other receivables and other assets	—	22	—	22
	223	123	324	670
Derivative financial liabilities	46	19	—	65

	At 31 December 2023			
	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	9	2	77	88
Derivative financial assets	34	17	29	80
Other non-current assets	35	107	9	151
Financial assets included in prepayments, other receivables and other assets	—	22	—	22
	78	148	115	341
Derivative financial liabilities	21	26	—	47

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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 2.33% to 2.75% (31 December 2023: 1.5% to 3.9%).

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.

Other non-current assets include 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 was no transfer between Level 1 and Level 2 fair value measurements during the period, and no transfer into or out of Level 3 fair value measurements during the six months ended 30 June 2024.

Sensitivity analysis

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

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

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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 1 January 2023	149	54	12
Total gains (losses) recognised in profit or loss included in cost of sales and other gains and (losses)	11	(7)	(3)
Purchases	1,390	—	—
Disposals	(1,469)	(18)	—
Currency realignment	(4)	—	—
At 31 December 2023 and 1 January 2024	**77**	**29**	**9**
Total gains (losses) recognised in profit or loss included in cost of sales and other gains and (losses)	**4**	**(14)**	**2**
Purchases	**907**	**—**	**—**
Disposals	**(685)**	**—**	**—**
Currency realignment	**(6)**	**1**	**—**
At 30 June 2024	**297**	**16**	**11**

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.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

As at 30 June 2024

	Gross amounts of recognised financial assets US$'million (Unaudited)	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial assets presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position: Financial collateral US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position: Cash collateral received US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	118	(46)	72	(5)	–	67

	Gross amounts of recognised financial liabilities US$'million (Unaudited)	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position US$'million (Unaudited)	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position: Financial collateral US$'million (Unaudited)	Related amounts not set off in the condensed consolidated statement of financial position: Cash collateral pledged US$'million (Unaudited)	Net amount US$'million (Unaudited)
Derivatives	46	(46)	–	–	–	–

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2023

	Gross amounts of recognised financial assets US$'million (Audited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million (Audited)
				Financial collateral US$'million (Audited)	Cash collateral received US$'million (Audited)	
Derivatives	34	(17)	17	—	—	17

	Gross amounts of recognised financial liabilities US$'million (Audited)	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million (Audited)	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million (Audited)	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million (Audited)
				Financial collateral US$'million (Audited)	Cash collateral pledged US$'million (Audited)	
Derivatives	17	(17)	—	—	—	—

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with associates/joint ventures during the period under review:

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Sales of goods to associates	**4**	4
Sales of goods to joint ventures	**1**	2
Purchase of goods and services from associates	**70**	91
Purchase of goods and services from joint ventures	**6**	9

(b) Compensation of key management personnel of the Group

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

	Six months ended 30 June	
	2024	2023
	US$'million	US$'million
	(Unaudited)	(Unaudited)
Director fees	**—***	—*
Basic salaries and allowances	**6**	6
Performance bonuses	**7**	6
Retirement benefits scheme contributions	**1**	—*
Total compensation paid to key management personnel	**14**	12

* Less than US$1 million.

21. EVENT AFTER THE REPORTING PERIOD

The Group has submitted a proposed spin-off application to the Hong Kong Stock Exchange on 12 July 2024. Further details of which are set out in the Company's announcement dated on 14 July 2024.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.10 per Share (2023: HK$0.05 per Share) for the six months ended 30 June 2024 (the "**2024 Interim Dividend**"), representing a total payment of approximately HK$1,283 million (equivalent to approximately US$164 million) (2023: approximately HK$642 million, equivalent to approximately US$82 million) to the Shareholders. The 2024 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on Friday, 30 August 2024 on or about Wednesday, 25 September 2024. The register of members of the Company was closed from Wednesday, 28 August 2024 to Friday, 30 August 2024, both days inclusive, during which period no transfer of shares would be registered. To ensure their entitlement to the 2024 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, 27 August 2024 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/Chief Executive Officer

As at 30 June 2024, 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	Settlor of a family trust(1)	3,517,169,817(L)	27.41%
	Beneficial owner	1,500,000(L)	0.01%
Mr. Guo Lijun	Trustee(2)	631,580,000(L)	4.92%
	Settlor of a family trust(3)	203,840,699(L)	1.59%
	Beneficial owner	100,000(L)	0.00%
Mr. Wan Hongwei	Beneficial owner	2,500,000(L)	0.02%
Mr. Ma Xiangjie	Trustee(4)(5)	5,029,376,978(L)	39.20%
	Beneficiary of a trust(4)(5)	86,572,339(L)	0.67%
	Interest of spouse(6)	3,000(L)	0.00%

Other Information (Continued)

Notes:

(1) Prior to the establishment of Wan Long Trust (as discussed hereinbelow), Mr. Wan Long directly owned the entire issued share capital of Sure Pass, Wan Tong International Holdings Limited and Xing Tong. On 6 May 2022, Mr. Wan Long set up a discretionary family trust, Wan Long Trust, and Cantrust (Far East) Limited is the trustee. On 13 June 2023, Mr. Wan Long transferred the entire issued share capital of Sure Pass, Wan Tong International Holdings Limited and Xing Tong to WLT Management Limited, a company wholly owned by the trustee.

Sure Pass owned 573,099,645 Shares. Wan Tong International Holdings Limited owned High Zenith as to 100%, which in turn owned 350,877,333 Shares. Xing Tong was one of the participants of the Heroic Zone Share Plan, in which it held approximately 46.93% of the participant units. Hence, Xing Tong was deemed to be interested in approximately 46.93% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. By virtue of voting undertakings and arrangement, Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Therefore, Xing Tong was deemed to be interested in 2,360,202,977 Shares through multiplying the percentage of participant units that Xing Tong held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in. Xing Tong was also one of the participants of the Chang Yun Share Plan, in which it held approximately 36.89% of the participant units. Therefore, Xing Tong was deemed to be interested in approximately 36.89% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Chang Yun was directly interested in 631,580,000 Shares (representing approximately 4.92% of the total issued share capital of the Company). Therefore, Xing Tong was deemed to be interested in 232,989,862 Shares through multiplying the percentage of participant units that Xing Tong held in Chang Yun Share Plan and the Shares which Chang Yun was interested in.

(2) Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao were entrusted to act as the trustees of the Chang Yun Share Plan.

(3) On 19 December 2023, Mr. Guo Lijun transferred the entire issued share capital of Joint Thriving Limited to Vistra Trust (Singapore) Pte. Limited (the trustee of the trust), to set up a discretionary family trust, Guo Family Trust.

Ever Goal Global Limited ("**Ever Goal**") is wholly owned by Joint Thriving Limited. Ever Goal was one of the participants of the Heroic Zone Share Plan, in which it held approximately 4.05% of the participant units. Hence, Ever Goal was deemed to be interested in approximately 4.05% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Accordingly, Ever Goal was deemed to be interested in the 203,840,699 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Ever Goal held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in.

(4) Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee, on behalf of all participants of the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy. Mr. Ma Xiangjie was also one of the participants of the Heroic Zone Share Plan, in which he held approximately 0.45% of the participant units. Hence, Mr. Ma Xiangjie was deemed to be interested in approximately 0.45% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Heroic Zone had control over the voting rights in an aggregate of 5,029,376,978 Shares held by Chang Yun, High Zenith, Sure Pass and Heroic Zone (representing approximately 39.20% of the total issued share capital of the Company). Accordingly, Mr. Ma Xiangjie was deemed to be interested in 22,719,601 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Mr. Ma Xiangjie held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in.

Other Information (Continued)

(5) Mr. Ma Xiangjie was one of the participants of the Chang Yun Share Plan, in which he held approximately 10.11% of the participant units. Hence, Mr. Ma Xiangjie was deemed to be interested in approximately 10.11% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Chang Yun was directly interested in 631,580,000 Shares (representing approximately 4.92% of the total issued share capital of the Company). Accordingly, Mr. Ma Xiangjie was deemed to be interested in 63,852,738 Shares which Chang Yun was interested in through multiplying the percentage of participant units that Mr. Ma Xiangjie held in Chang Yun Share Plan and the Shares which Chang Yun was interested in. Messrs. Guo Lijun, Ma Xiangjie and Liu Songtao, were entrusted to act as the trustees of the Chang Yun Share Plan.

(6) Ms. Shi Huiying 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(1)	Approximate percentage of Shareholding(2)
Mr. Wan Long	Beneficial owner	146,198,889(L)	1.14%
Mr. Guo Lijun	Beneficial owner	40,000,000(L)	0.31%
Mr. Wan Hongwei	Beneficial owner	2,500,000(L)	0.02%
Mr. Ma Xiangjie	Beneficial owner	9,922,417(L)	0.08%
Mr. Charles Shane Smith	Beneficial owner	1,000,000(L)	0.01%

Notes:

(1) All outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme automatically lapsed on 4 August 2024 pursuant to the rules of the Pre-IPO Share Option Scheme.

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

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

(iii) Interests in associated corporations

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

Notes:

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

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

Save as disclosed above, as at 30 June 2024, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, so far as was known to any Director or chief executive officer of the Company, Shareholders (other than the Directors 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
Cantrust (Far East) Limited(1)	Trustee	3,517,169,817(L)	27.41%
WLT Management Limited(1)	Interest in controlled corporation	3,517,169,817(L)	27.41%
Rise Grand(2)	Interest in controlled corporation	5,029,376,978(L)	39.20%
Mr. Zhang Liwen(2)	Trustee	5,029,376,978(L)	39.20%
Mr. Liu Songtao(2)	Trustee	5,029,376,978(L)	39.20%
Heroic Zone(3)	Beneficial owner	3,473,820,000(L)	27.08%
	Interest in controlled corporation	1,555,556,978(L)	12.12%
Xing Tong(4)	Beneficiary of a trust	2,593,192,839(L)	20.21%
Ms. Wang Meixiang(5)	Interest of spouse	3,664,868,706(L)	28.56%
The Bank of New York Mellon Corporation	Interest in controlled corporation	643,058,767(L)	5.01%
		296,436,180(S)	2.31%
		337,856,130(P)	2.63%

Other Information (Continued)

Notes:

(1) Cantrust (Far East) Limited (the "**Trustee**") is the trustee of Wan Long Trust established by Mr. Wan Long. The Trustee through indirect interest in each of Sure Pass, High Zenith and Xing Tong holds 573,099,645 Shares, 350,877,333 Shares and 2,593,192,839 Shares, respectively. WLT Management Limited, which is wholly-owned by the Trustee, through direct interest in each of Sure Pass, Wan Tong International Holdings Limited (which owns High Zenith as to 100%) and Xing Tong holds 573,099,645 Shares, 350,877,333 Shares and 2,593,192,839 Shares respectively.

(2) Rise Grand, as the sole shareholder of Heroic Zone, was deemed to be interested in the 5,029,376,978 Shares which Heroic Zone was interested in. As at 30 June 2024, the beneficial interest of Rise Grand was owned by 150 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated 5 November 2019, the employee share committee (the "**ESC**"), on behalf of all HSP Participants, entrusted three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, to hold the legal title of, and to exercise the voting rights attached to, 100% equity interest in Rise Grand in joint tenancy (the "**HSP Trustees**"). Under the Heroic Zone Share Plan, the ESC, on behalf of all HSP Participants, is entitled to instruct the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand, which in turn will instruct Heroic Zone, a wholly owned subsidiary of Rise Grand, as to how to exercise its rights, including the voting rights attached to the Shares it holds in the Company. The members of the ESC are selected by the general meeting of the HSP participants. The ESC has been composed of five members since its establishment.

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

(4) Xing Tong was one of the participants of the Heroic Zone Share Plan, in which it held approximately 46.93% of the participant units. Hence, Xing Tong was deemed to be interested in approximately 46.93% of the equity interest of Rise Grand, which in turn owned 100% of the equity interest of Heroic Zone. Accordingly, Xing Tong was deemed to be interested in the 2,360,202,977 Shares which Heroic Zone was interested in through multiplying the percentage of participant units that Xing Tong held in Heroic Zone Share Plan and the Shares which Heroic Zone was interested in. Xing Tong was also one of the participants of the Chang Yun Share Plan, in which it held approximately 36.89% of the participant units. Therefore, Xing Tong was deemed to be interested in approximately 36.89% of the equity interest of Auspicious Joy, which in turn owned 100% of the equity interest of Chang Yun. Accordingly, Xing Tong was deemed to be interested in 232,989,862 Shares that Chang Yun was interested in through multiplying the percentage of participant units that Xing Tong held in Chang Yun Share Plan and the Shares which Chang Yun was interested in.

(5) Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang was deemed to have interest in the 3,664,868,706 Shares which Mr. Wan Long was interested in.

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

(S) The letter (S) indicates short position.

(P) The letter (P) indicates shares in a lending pool.

Save as disclosed above, as at 30 June 2024, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 21 January 2014 as amended on 4 April 2014.

The following table discloses details of the Company's outstanding share options held by the Directors, chief executive, the connected persons and certain employees of the Company under the Pre-IPO Share Option Scheme and their movements during the Review Period:

		Number of Pre-IPO Share Options				
Grantee	Date of Grant	As at 1 January 2024	Exercised	Cancelled	Lapsed	As at 30 June 2024
Directors						
WAN Long (萬隆)	10 July 2014	146,198,889	–	–	–	146,198,889
GUO Lijun (郭麗軍)	10 July 2014	40,000,000	–	–	–	40,000,000
WAN Hongwei (萬宏偉)	10 July 2014	2,500,000	–	–	–	2,500,000
MA Xiangjie (馬相傑)	10 July 2014	9,922,417	–	–	–	9,922,417
SMITH Charles Shane	10 July 2014	1,000,000	–	–	–	1,000,000
Subtotal		199,621,306	–	–	–	199,621,306
Connected persons						
ZHANG Taixi (張太喜)	10 July 2014	40,000,000	–	–	–	40,000,000
HE Jianmin (賀建民)	10 July 2014	2,859,963	–	–	–	2,859,963
LIU Hongsheng (劉紅生)	10 July 2014	2,409,963	–	–	–	2,409,963
YU Songtao (余松濤)	10 July 2014	3,009,963	–	–	–	3,009,963
PAN Guanghui (潘廣輝)	10 July 2014	2,425,963	–	–	–	2,425,963
ZHAO Sufang (趙塑方)	10 July 2014	4,009,963	–	–	–	4,009,963
CAO Xiaojie (曹曉杰)	10 July 2014	4,409,963	–	–	–	4,409,963
LI Jun (李駿)	10 July 2014	2,356,469	–	–	–	2,356,469
ZHAO Guobao (趙國寶)	10 July 2014	1,029,988	–	–	–	1,029,988
QIAO Haili (喬海莉)	10 July 2014	9,922,417	–	–	–	9,922,417
WANG Yufen (王玉芬)	10 July 2014	9,922,417	–	–	–	9,922,417
LIU Songtao (劉松濤)	10 July 2014	5,879,951	–	–	–	5,879,951
HE Shenghua (賀聖華)	10 July 2014	1,500,000	–	–	–	1,500,000
CHAU Ho (周豪)	10 July 2014	3,500,000	–	–	–	3,500,000
YAN Kam Yin (甄錦燕)	10 July 2014	3,000,000	–	–	–	3,000,000
ZHOU Feng (周峰)	10 July 2014	3,000,000	–	–	–	3,000,000
WANG Dengfeng (王登峰)	10 July 2014	2,075,990	–	–	–	2,075,990
Subtotal		101,313,010	–	–	–	101,313,010

Other Information (Continued)

Grantee	Date of Grant	Number of Pre-IPO Share Options As at 1 January 2024	Exercised	Cancelled	Lapsed	As at 30 June 2024
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more						
POPE C. Larry	10 July 2014	27,250,000	–	–	–	27,250,000
THAMODARAN Dhamu R.	10 July 2014	7,000,000	–	–	–	7,000,000
LI Hongwei (李紅偉)	10 July 2014	4,000	–	–	4,000	–
WANG Yonglin (王永林)	10 July 2014	4,249,951	–	–	–	4,249,951
FU Zhiyong (付志勇)	10 July 2014	5,879,951	–	–	–	5,879,951
GUO Xinwen (郭新聞)	10 July 2014	4,889,951	–	–	–	4,889,951
SULLIVAN Kenneth Marc	10 July 2014	12,000,000	–	–	–	12,000,000
Subtotal		61,273,853	–	–	4,000	61,269,853
Senior management and other employees (in aggregate)	10 July 2014	62,361,221	–	–	–	62,361,221
Total		**424,569,390**	**–**	**–**	**4,000**	**424,565,390**

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;

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

(6) the exercise price of the Pre-IPO Share Option is HK$6.20;

(7) Mr. Liu Songtao is a substantial shareholder of the Company. For further details, please refer to "Substantial Shareholders" above; and

(8) All outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme automatically lapsed on 4 August 2024 pursuant to the rules of the Pre-IPO Share Option Scheme.

The total number of Shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company as at 30 June 2024 was 424,565,390 (as at 1 January 2024: 424,569,390), which represented approximately 3.3% of the weighted average number of Shares in issue for the six months ended 30 June 2024 (as at 1 January 2024: approximately 3.3%).

There is no maximum entitlement for each participant under the Pre-IPO Share Option Scheme.

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 (including sale of treasury shares) during the Review Period. As of the end of the Review Period, no treasury shares were held by the Company.

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 C3 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards set out in the Model Code and the Code of Conduct during the Review Period.

CORPORATE GOVERNANCE PRACTICES

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

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Changes in the information of the Directors and chief executive of the Company since the publication of the 2023 annual report of the Company, as notified to the Company, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Wan Hongwei has been appointed as the chairman of the board of directors of Shuanghui Development with effect from 29 August 2024. Mr. Wan Long ceased to be the chairman of the board of directors of Shuanghui Development with effect from 29 August 2024.

(ii) Ms. Zhou Hui ceased to be an independent director of Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600180)) with effect from 1 March 2024. Moreover, Ms. Zhou ceased to be an independent non-executive director of China Vered Financial Holding Corporation Limited (中薇金融控股有限公司) (a company whose shares are listed on the Stock Exchange (stock code: 245)) with effect from 22 March 2024.

AUDIT COMMITTEE

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

On behalf of the Board
Wan Long
Chairman of the Board

Hong Kong, 13 August 2024

GLOSSARY

"Audit Committee"	the audit committee of the Board
"Auspicious Joy"	Auspicious Joy Enterprises Limited, a limited liability company incorporated under the laws of BVI on 8 July 2019
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Chang Yun"	Chang Yun Holdings Limited (運昌控股有限公司), a limited liability company incorporated under the laws of the BVI on 12 April 2010 and one of the Controlling Shareholders
"Chang Yun Share Plan"	the share plan dated 23 December 2019, under which a group of existing and former employees of the Group hold 100% of the beneficial interests in Auspicious Joy, which in turn holds 100% of the equity interest in Chang Yun
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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 1 January 2023 to 30 June 2023
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith and Sure Pass
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization

Glossary (Continued)

"ESG Committee"	the environmental, social and governance committee of the Board
"EU"	the European Union
"EUR"	the Euro, the lawful currency of the member states of the European Union
"Fitch"	Fitch (Hong Kong) Limited or Fitch Ratings, Inc.
"Food Safety Committee"	the food safety committee of the Board
"Group", "our Group", "our", "we", "us" or "WH Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Heroic Zone"	Heroic Zone Investments Limited (雄域投資有限公司), a limited liability company incorporated under the laws of the BVI on 23 July 2007 and one of the Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated 25 December 2009, revised on 17 December 2012 and 11 July 2016 respectively, under which a group of existing and former employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on 6 September 2013 and one of the Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDR"	issuer default rating
"kg"	kilogram
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	5 August 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange

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)
"Mexico"	the United Mexican States
"MOA"	the Ministry of Agriculture and Rural Affairs of the People's Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Moody's"	Moody's Investor Service Limited
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on 21 January 2014 as amended on 4 April 2014, for the benefit of any Director, employee, advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Other Information — Pre-IPO Share Option Scheme". All outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme automatically lapsed on 4 August 2024 pursuant to the rules of the Pre-IPO Share Option Scheme
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Remuneration Committee"	the remuneration committee of the Board
"Review Period"	the period from 1 January 2024 to 30 June 2024
"Rise Grand"	Rise Grand Group Limited (興泰集團有限公司), a BVI Business Company incorporated under the laws of the BVI on 3 July 2007 and one of the Controlling Shareholders
"Risk Management Committee"	the risk management committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"S&P"	Standard & Poor's Financial Services LLC
"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

Glossary (Continued)

"Shareholder(s)"	holder(s) of the Share(s)
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on 15 October 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (Stock code: 000895), and as the context may require, all or any of its subsidiaries
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on 25 July 1997 and an indirect wholly-owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on 25 September 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"US cent"	one-hundredth of one US$
"USDA"	United States Department of Agriculture
"Xing Tong"	Xing Tong Limited (興通有限公司), a limited liability company incorporated under the laws of the BVI on 10 June 2016 and one of the Shareholders