萬洲國際
WH GROUP

ANNUAL REPORT
2023

萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 288

CONTENTS

ECKRICH
LI'L SMOKIES
NATURALLY HARDWOOD SMOKED
Nutrition Facts

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

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

Principal Place of Business and Corporate Headquarters in Hong Kong
Unit 7602B–7604A
Level 76, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

RESULTS HIGHLIGHTS

	2023	2022
Packaged meats sold (thousand metric tons)	**3,196**	3,344
Pork sold (thousand metric tons)	**3,959**	4,019

	2023		2022	
	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)		US$ million (unless otherwise stated)	
Revenue	**26,236**	**26,236**	28,136	28,136
EBITDA	**1,972**	**2,005**	3,157	3,103
Operating profit	**1,471**	**1,471**	2,093	2,093
Profit attributable to owners of the Company	**606**	**629**	1,401	1,370
Basic earnings per Share (US cents)	**4.72**	**4.90**	10.92	10.68
Dividend per Share (HK$)				
Interim	**0.05**	**0.05**	0.05	0.05
Final	**0.25**	**0.25**	0.25	0.25
	0.30	**0.30**	0.30	0.30

- Sales volume of packaged meats and pork decreased by 4.4% and 1.5% respectively.
- Revenue decreased by 6.8%.
- Operating profit decreased by 29.7%.
- Profit attributable to owners of the Company and basic earnings per Share, before biological fair value adjustments, decreased by 56.8%.

Chairman's Statement

Wan Long
Chairman

Dear Shareholders,

On behalf of the Board of Directors of the Company, I introduce the annual report of WH Group Limited for the year ended 31 December 2023.

In the previous year, COVID-19 pandemic subsided and inflation decelerated, while international politics remained dynamic and complex. Geopolitical tensions persisted. Economic recovery was sluggish. Europe and the U.S. continuously tightened their monetary policies and raised interest rates. Global commodity prices trended downward. Prices of hog and pork diverged based on supply and demand situations. All these factors posed significant impacts on and challenges to business operations. WH Group managed to maintain its scale of production and sales generally stable but recorded a mild decrease in revenue, and a material decrease in operating profit.

In China, hogs were in abundant supply with prices hovering at low levels. Against this backdrop, our China business utilised the advantage of its industrial chain to expand its scale continuously and achieved constant growth in the sales volume of pork while there was a slight decrease in both revenue and profit.

In the U.S., hog raising costs remained elevated, and hog prices dropped sharply year-on-year, which led to a material loss in hog production. Notwithstanding the sustainable high level of profit for our packaged meats business and the remarkable growth of the fresh pork performance, we resulted in a sharp decline in operating profit.

In Europe, since hog supply decreased and hog prices surged as impacted by the African Swine Fever ("**ASF**"), we made remarkable profit growth year-on-year to a record high.

From the perspective of our segment operations worldwide in 2023, the performance of packaged meats segment was robust and its profitability remained at high level. The processing part of pork segment remained operationally stable with a significant year-on-year improvement in financial results, but the hog production part of the pork segment was the worst performer which incurred a material loss.

In 2024, inflation will continue to ease, food and energy prices will descend, Europe and the U.S. are expected to enter into a cycle of interest rate cuts, the economy will stabilize, and consumer demand may grow. Such environment is going to be conducive for reducing costs, increasing sales volume and generating better results of operation. Geopolitical tensions and rising labor costs, however, also pose challenges to operations.

We are confident in the future development of the Company. The management will closely monitor the changes in macro situation, carefully analyze market trends, and utilize its competitive advantages to overcome challenges. Adhering to the strategic direction of "industrialization, diversification, internationalization and digitalization", and the business strategy of "two-adjustments and one control", we will further optimize the industrial chain, vigorously reduce the hog production scale, improve processing operation, focus on investing in and developing the packaged meats business, pro-actively but also prudently diversify into other animal proteins, promote "doubling our network" to expand market network, exert synergy, implement process optimization to enhance quality and efficiency, continuously improve comprehensive competitiveness to achieve stable and high-quality development, and thereby creating greater value for Shareholders.

Considering all circumstances and the interim dividend paid, the Board proposed to distribute a final dividend of HK$0.25 per Share, bringing the total dividends of the year to HK$0.3 per Share.

Wan Long
Chairman of the Board of WH Group

26 March 2024

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Board consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and the remaining three are independent non-executive Directors.

WAN Long (萬隆)

Executive Director and Chairman

WAN Long (萬隆), age 83, was appointed as a Director on 16 October 2007 and has been the Chairman of our Board since 26 November 2010. He also holds directorships in various subsidiaries of the Group. He was designated as our executive Director on 31 December 2013. He served as the Company's chief executive officer from October 2013 to 11 August 2021. Mr. Wan Long has been the chairman of the board of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since 20 August 2012. Mr. Wan Long joined Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) in May 1968 and became the general manager of the factory in 1984. Under Mr. Wan Long's direction, our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. Mr. Wan Long has over 50 years of experience in the meat processing industry. He was a representative of the Ninth to Twelfth China's National People's Congress (中華人民共和國全國人民代表大會) in 1998, 2003, 2008 and 2013 and was appointed as an executive director of the China Meat Association (中國肉類協會) from December 2006 to December 2011 and a senior consultant of the China Meat Association (中國肉類協會) in 2001. Mr. Wan Long received his professional certificate in business management from the Henan University of Animal Husbandry and Economy (河南牧業經濟學院, previously The Henan Business College (河南商業專科學校)) in May 1991 and was awarded the senior economist professional qualification issued by the Henan Province Advanced Professional Titles Adjudication Committee (Economic Disciplines) (河南省經濟系列高級評審委員會) in July 1999. Mr. Wan Long is the father of Mr. Wan Hongwei.

GUO Lijun (郭麗軍)

Executive Director and Chief Executive Officer

GUO Lijun (郭麗軍), age 53, was appointed as an executive Director on 31 December 2013 and has been appointed as the chief executive officer of the Company on 12 August 2021. He has also served as a director of Shuanghui Development since 31 August 2021. He also holds directorships in various subsidiaries of the Group. He served as an executive vice president from April 2016 to 11 August 2021. Mr. Guo was the chief financial officer of the Company from April 2016 to 11 August 2021, the deputy chief executive officer of the Company from October 2013 to January 2014, and a vice president and the chief financial officer of the Company from January 2014 to March 2016. Mr. Guo has over 30 years of experience overseeing the financial operations of various companies. Mr. Guo worked as an accountant in the finance department of the Henan Luohe Meat Products Processing United Factory* (河南省漯河市肉類聯合加工廠) from June 1993 to March 1996. Mr. Guo was also the financial controller of Luohe Chinachem Shuanghui Packaging Industry Co., Ltd.* (漯河華懋雙匯化工包裝有限公司) and Luohe Chinachem Shuanghui Plastic Processing Co., Ltd.* (漯河華懋雙匯塑料工程有限公司) from April 1996 to February 2001. Mr. Guo held various positions in Shuanghui Group (a former subsidiary of the Company) from March 2001 to August 2012, including serving as its deputy director, its director of the finance department and its chief financial officer. In addition, Mr. Guo was also the executive vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and a subsidiary of the Company) from August 2012 to October 2013.

Mr. Guo obtained his adult higher education diploma in financial accounting from Henan Radio and Television University (河南廣播電視大學) in July 1994 and obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University of China (中國人民大學研究生院) in December 2004. Mr. Guo received his assistant accountant certificate awarded by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in October 1994.

WAN Hongwei (萬宏偉)

Executive Director and Deputy Chairman

WAN Hongwei, age 50, was appointed as an executive Director and the deputy chairman of the Board on 12 August 2021. He has also served as a director and vice chairman of the board of directors of Shuanghui Development since 22 August 2018. He also holds directorships in various subsidiaries of the Group. He served as an assistant to the chief executive officer of the Company from 1 January 2014 to 11 August 2021 in charge of public relation of the Company. Mr. Wan Hongwei was secretary to the chairman of Shuanghui Group from 2004 to 2013.

Mr. Wan Hongwei obtained his degree of Bachelor of Arts from York University in Toronto, Canada in June 2002. He is the son of Mr. Wan Long.

MA Xiangjie (馬相傑)

Executive Director and President of Shuanghui Development

MA Xiangjie (馬相傑), age 52, was appointed as an executive Director on 26 March 2018 with effect from 4 June 2018. He has also served as a director and the president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since 22 August 2018 and 26 December 2017, respectively. Previously, he served as the deputy general manager of fresh food division of Shuanghui Development from 15 April 2012 to 24 August 2012 and the vice president of Shuanghui Development and the general manager of its fresh food division from 25 August 2012 to 25 December 2017. He also holds directorships in various subsidiaries of the Group. Mr. Ma has over 27 years of work experience with the Group. Mr. Ma was the deputy director of Shuanghui Development in charge of the production of fresh meat products department from September 2008 to September 2010. He also served as the general manager of the integrated business department of Shuanghui Group from September 2010 to April 2012. In addition, he has worked as the director of Shuanghui Development Ingredients Factory (雙匯發展香輔料分廠) since May 2001; as a general manager of Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司) since August 2003; as a general manager of Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司) since April 2004; as a managing director of Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司) since 26 October 2012; as a director of Fuxin Shuanghui Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司) since 22 February 2013; as a director of Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司) since 22 February 2013 and as a director of Shaanxi Shuanghui Food Co., Ltd. (陝西雙匯食品有限公司) since 19 November 2013.

Mr. Ma graduated from the faculty of storage and processing of agricultural products from the Henan Agricultural University (河南農業大學) in July 1996, obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in March 2005 and received his master's degree in food engineering from the Northwest A&F University (西北農林科技大學) in June 2010. In addition, Mr. Ma obtained his qualification as an engineer of light industries issued by the People's Government of Luohe City in June 2003, his qualification as a senior economist issued by the People's Government of Henan Province in March 2019 and his professional light industry senior engineer qualification (vice senior grade) issued by the Human Resources and Social Security Department of Henan Province in April 2020.

Charles Shane SMITH

Executive Director, President and Chief Executive Officer of Smithfield

Charles Shane SMITH, age 50, was appointed as an executive Director on 11 August 2021. He has also served as a director, the president and chief executive officer of Smithfield Foods (an indirect wholly-owned subsidiary of the Company) since 8 July 2021. He has served in various other positions with Smithfield since joining Smithfield in 2003, including chief strategy officer from January 2021 to 7 July 2021, executive vice president of Smithfield European operations from April 2019 to January 2021, president of Smithfield Romania operations from November 2017 to April 2019 and chief financial officer of Smithfield Europe operations from September 2012 to April 2019.

Mr. Smith has expertise in overseeing the day-to-day operations of the entire vertically integrated business of Smithfield. Mr. Smith obtained his Master of Business Administration degree from the College of William and Mary in Virginia in 2009 and Bachelor of Science in accounting from Mount Olive College in 2000. Mr. Smith became a certified public accountant under the laws of North Carolina of the United States of America in 2001. In October 2017, Mr. Smith agreed to forfeit his certificate as a certified public accountant solely due to his inability to locate a written confirmation of attendance at two hours (of the annual requirement of a total of 40 hours) of continuing education. While Mr. Smith has the right to apply for reissuance of his certificate, subject to fulfillment of certain requirements of the North Carolina accounting board, he has elected not to do so because he no longer holds himself out to the public as a certified public accountant.

JIAO Shuge (焦樹閣)

Non-executive Director

JIAO Shuge (焦樹閣), age 58, was appointed as our Director on 28 April 2006. He was designated as a non-executive Director on 31 December 2013. He also holds directorships in various subsidiaries of the Group. He served as the deputy chairman of our Board from 26 November 2010 to 14 August 2018. Mr. Jiao served as a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) from 20 August 2012 to 31 August 2021. Mr. Jiao is also currently a director and managing partner of CDH Investments Management Company Limited.

Mr. Jiao has served as a director of Hainan Poly Pharm Co. Ltd. (a company listed on the Shenzhen Stock Exchange with stock code: 300630) since July 2015. Mr. Jiao served as the chairman of Ningbo Akin Electronic Technology Co., Ltd. (its shares listed on the National Equities Exchange and Quotations with stock code: 830806, hereinafter referred to as "**Ningbo Akin**") from March 2016 to May 2021 and served as Ningbo Akin's general manager from February 2016 to March 2022 and its legal representative from February 2016 to February 2022. Mr. Jiao has also served as the chairman and a non-executive director of Mabpharm Limited (a company listed on the Stock Exchange with stock code: 2181) since July 2018 and the Chairman and non-executive director of OCI International Holdings Limited (a company listed on the Stock Exchange with stock code: 329) since 8 March 2021.

Mr. Jiao was a researcher in the No. 710 Research Institute of China Aerospace Service and Technology Corporation (中國航天科技集團公司第710研究所) from August 1989 to January 1995. He served as the vice general manager of the direct investment department of China International Capital Corporation Ltd. (中國國際金融有限公司) from December 1995 to August 2002. Mr. Jiao has a broad range of experience serving as directors of various listed companies, including as a non-executive director of China Yurun Food Group Limited (a company listed on the Stock Exchange with stock code 01068) from 13 April 2005 to 22 September 2012, a non-executive director of China Shanshui Cement Group Co., Ltd. (a company listed on the Stock Exchange with stock code 00691) from 30 November 2005 to 16 May 2014, a director of Joyoung Company Limited (a company listed on the Shenzhen Stock Exchange with stock code 002242) from 12 September 2007 to 27 April 2020, an independent non-executive director of China Southern Airlines Company Limited (a company listed on the Stock Exchange with stock code 1055) from 30 June 2015 to 30 April 2021 and an independent non-executive director from 12 April 2012 to 30 November 2021 (a non-executive director from 18 February 2004 to 12 April 2012) of China Mengniu Dairy Co., Ltd. (a company listed on the Stock Exchange with stock code 02319).

Mr. Jiao graduated from Shandong University (山東大學) with a bachelor of mathematics in July 1986, and obtained his master's degree in engineering from the No. 2 Research Institute of Ministry of Aeronautics and Astronautics of China in October 1989.

HUANG Ming (黃明)

Independent Non-executive Director

HUANG Ming (黃明), age 60, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Huang served as an assistant professor of finance at the Graduate School of Business, University of Chicago from April 1996 to June 1998; as an assistant professor of finance from July 1998 to August 2002 and as an associate professor from September 2002 to June 2005 at the Graduate School of Business, Stanford University; and as an associate dean and professor of finance from July 2004 to June 2005, a professor of finance from July 2008 to June 2010 at the Cheung Kong Graduate School of Business (長江商學院) and a professor of finance at China Europe International Business School (中歐國際工商學院) from July 2010 to June 2019. Mr. Huang was also appointed as the Dean of School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to April 2009. He has been a professor of finance with tenure at Cornell University since July 2005. Mr. Huang's academic research primarily focuses on behavioral finance, credit risk and derivatives. In recent years, his research has focused on Chinese capital market and public companies.

Mr. Huang has served as an independent director of JD.com, Inc. (a company listed on the US NASDAQ Stock Exchange with stock code NASDAQ: JD) since March 2014. Mr. Huang served as a non-executive director of Tebon Securities Co., Ltd. (德邦證券股份有限公司) from June 2011 to July 2014 and Qihoo 360 Technology Co. Ltd. (a company listed on New York Stock Exchange with stock code QIHU and delisted with effect from July 18, 2016) from March 2011 to July 2016 and of Guosen Securities Co. Ltd. (國信證券股份有限公司) from June 2011 to December 2017. He served as an independent non-executive director of China Medical System Holdings Limited (a company listed on the Stock Exchange with stock code 00867) from October 2013 to December 2017, of Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) from October 2009 to May 2019, of China Shenhua Energy Company Limited (a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 1088)) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601088) from April 2018 to August 2019, and of Yingli Green Energy Holding Company Limited (a company listed on the New York Stock Exchange with stock code YGE and delisted with effect from July 17, 2018) from August 2008 to February 2020. He served as an independent director of 360 Security Technology Inc. (a company listed on the Shanghai Stock Exchange with stock code 601360) ((formerly known as SJEC Corporation) (a company listed on the Shanghai Stock Exchange with stock code 601313)) from February 2018 to February 2024.

Mr. Huang obtained his bachelor's degree in physics from Peking University in July 1985, his doctor's degree in physics from Cornell University in July 1991 and his doctor's degree in finance from Stanford University in August 1996.

LAU, Jin Tin Don (劉展天)

Independent Non-executive Director

LAU, Jin Tin Don (劉展天), age 67, was appointed as one of our independent non-executive Directors on 16 July 2014 with effect from the Listing Date. Mr. Lau served as an executive director and one of the responsible officers of Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code 01426) from April 2013 to May 2017. Prior to joining Spring Asset Management Limited in 2013, he was the deputy group financial controller of Yuexiu Property Company Limited (a company listed on the Stock Exchange with stock code 00123). From 2005 to 2010, he was also the deputy chief executive officer, compliance manager and one of the responsible officers of Yuexiu REIT Asset Management Limited which is responsible for managing the assets of Yuexiu Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code of 00405).

Mr. Lau obtained a master's degree in applied finance from Macquarie University.

ZHOU Hui (周暉)

Independent Non-executive Director

ZHOU Hui, age 61, was appointed as one of our independent non-executive Directors on 28 March 2022 with effect from 1 June 2022. Ms. Zhou has served as 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) since November 2021, and 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)) since March 2019. Ms. Zhou had served at various managerial and finance-related positions at Huaneng Power International, Inc. (華能國際電力股份有限公司) (a company whose shares are listed on the Stock Exchange (stock code: 902) and the Shanghai Stock Exchange (stock code: 600011) and whose American depositary receipts are traded on the New York Stock Exchange (ticker symbol: HNP)), including chief accountant from March 2006 to January 2016, and vice general manager from October 2012 to March 2018. In addition, Ms. Zhou served as the vice chairperson of Huaneng Sichuan Hydropower Co., Ltd. (華能四川水電有限公司) and China Huaneng Finance Corporation (中國華能財務有限責任公司) from June 2005 to December 2016 and from March 2006 to October 2016, respectively. She was also a supervisor of China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600900)) from June 2010 to August 2016, a supervisor of Hainan Nuclear Power Co., Ltd. (海南核電有限公司) from August 2011 to September 2017 (including serving as the chairperson of the supervisory committee from December 2011 to September 2017), and a director of Singapore Huaneng Tuas Power Ltd. (新加坡華能大士能源有限公司) from March 2008 to May 2018.

Ms. Zhou graduated from Renmin University of China (中國人民大學) with a master's degree in economics and holds the qualification of a senior professional accountant (高級會計師) in the People's Republic of China.

Senior Management

Our senior management is responsible for the day-to-day management of our business.

CHAU Ho (周豪)

CHAU Ho (周豪), age 58, has served as our chief legal officer and as the Company Secretary since February 2014. He also holds directorships in various subsidiaries of the Group. Mr. Chau was an assistant to the chairman in China Rongsheng Heavy Industries Group Holdings Limited (now renamed China Huarong Energy Company Limited, listed on the Stock Exchange with stock code 01101) from April 2011 to January 2014 and as assistant to the chairman in Glorious Property Holdings Limited (listed on the Stock Exchange with stock code 00845) from March 2010 to March 2011. Mr. Chau has over 30 years of legal experience. He was an associate and subsequently a partner at the law firm Koo and Partners, which merged with the law firm Paul Hastings Janofsky & Walker (now renamed Paul Hastings), from October 1994 to February 2010. Mr. Chau received his bachelor of laws degree in November 1991 and the postgraduate certificate in laws in November 1992 from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong). In January 2003, he obtained his bachelor of laws degree from Tsinghua University. Mr. Chau has been qualified to practice as a solicitor in Hong Kong since August 1994 and has been a China-Appointed Attesting Officer since April 2006. He was qualified to practice as a solicitor in England and Wales in September 2008.

YAN Kam Yin (甄錦燕)

YAN Kam Yin (甄錦燕), age 44, was appointed as the Chief Financial Officer and the vice president of the Company in August 2021. She is responsible for finance management of the Group. Ms. Yan has over 20 years of finance experience. She joined the Company in January 2012 and served as finance director of the Company from March 2013 to August 2021. Prior to joining the Company, she worked at PricewaterhouseCoopers Hong Kong and various large publicly listed companies.

Ms. Yan obtained her degree of Bachelor of Business Administration from the Chinese University of Hong Kong in December 2002 and degree of Master of Business Administration from the Hong Kong University of Science and Technology in November 2012. She became the certified public accountant in Hong Kong in February 2007. She is also a fellow member of the Association of Chartered Certified Accountants.

ZHOU Feng (周峰)

ZHOU Feng (周峰), age 55, was appointed as the vice president of the Company on 12 August 2021. He is responsible for the international trading business of the Group. He also holds directorships in various subsidiaries of the Group. Mr. Zhou served as director of international trade of the Company from October 2011 to 11 August 2021. Mr. Zhou joined Shuanghui Group in January 2000, and served as general manager of Luohe Shuanghui Import & Export Company Limited and as deputy general sales manager of frozen food business unit of Shuanghui Group. Mr. Zhou served as vice president and general manager of powder unit of Zhengzhou Synear Food Company Limited from January 2009 to March 2011. Mr. Zhou graduated from University of International Business and Economics (對外經濟貿易大學) with a graduation diploma in Arabic Language in June 1988 and obtained completion certificate for the master of business administration program of the Graduate School of Renmin University of China in March 2005.

WANG Dengfeng (王登峰)

WANG Dengfeng (王登峰), age 47, was appointed as the vice president of the Company on 12 August 2021. He is responsible for operations management of the Group. He also holds directorships in various subsidiaries of the Group. Mr. Wang served as director, operation management of the Company from May 2014 to 11 August 2021. Previously, Mr. Wang held various positions in Shuanghui Group and Shuanghui Development from August 1999 to April 2014, including deputy manager of operations management department and manager of operations management department, deputy general manager of operations management and office manager of president office. He graduated from Henan Agricultural University (河南農業大學) with a graduation diploma in accounting computerization in July 1999.

ZHOU Xiaoming (周曉明)

ZHOU Xiaoming (周曉明), age 38, has been appointed as vice president of the Company on 8 May 2023. He is responsible for investment management of the Group. Mr. Zhou has more than 15 years of experience in investment banking and corporate finance. Prior to joining the Company, Mr. Zhou worked in BofA Securities from May 2015 to May 2023 and most recently served as managing director of global investment banking, advising corporate clients on capital raising and merger and acquisition transactions. Prior to that he served as vice president of Morgan Stanley' investment banking division.

Mr. Zhou obtained his degree of bachelor in economics (major in finance) and double degree of bachelor in science (major in statistics), from Peking University (北京大學) in 2008.

QIAO Haili (喬海莉)

QIAO Haili (喬海莉), age 59, has served in various positions within the Group. She has been the vice president of the quality control management of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since February 2019, responsible for the quality control management of Shuanghui Development. She also holds directorships in various subsidiaries of the Group. Ms. Qiao served as the vice president of the production and operations division of Shuanghui Development from November 2014 to February 2019, where she was responsible for the production and operations work stream of Shuanghui Development, and since November 2016 she was also responsible for the quality control management of Shuanghui Development, as the vice president and general manager of Shuanghui Development's meat processing division from September 2012 to October 2014 and a deputy general manager of its meat product department from August 2009 to August 2012, where she has been primarily responsible for the general operation of meat products production. Ms. Qiao served as a deputy director of the hygiene inspection department and as a workshop manager of Shuanghui Group from August 1986 to September 1995. Ms. Qiao also served as a director of the hygiene inspection department and the third business division of Shuanghui Group from September 1995 to February 1998. In addition, Ms. Qiao served as the general manager in Luohe Shuanghui Canned Foods Company Limited (漯河雙匯罐頭食品股份有限公司) from February 1998 to October 2004; as a director in Shuanghui Development from November 2001 to October 2004; and as the general manager in Shuanghui Development Meat Processing Division Factory (雙匯發展肉製品分廠) from November 2004 to August 2009. Ms. Qiao obtained her associate veterinarian degree from the Zhengzhou Junior College of Animal Husbandry and Veterinary Medicine (鄭州畜牧獸醫專科學校) in July 1986. She also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005. Ms. Qiao received her qualified veterinarian certificate issued by the People's Government of Luohe City in December 1998.

WANG Yufen (王玉芬)

WANG Yufen (王玉芬), age 56, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), being in charge of technology research, since September 2012, and as the chief engineer of Shuanghui Development for over 24 years since March 1998. She also holds directorships in various subsidiaries of the Group. Ms. Wang has worked with the Group for over 31 years. Ms. Wang served in Henan Luohe Meat Products Processing United Factory Meat Product Branch (河南省漯河肉聯廠肉製品分廠) from October 1987 to August 1991 as a technician, from August 1991 to September 1992 as a director, and from September 1992 to March 1993 as the deputy head. She was the institute director of Henan Luohe Meat Products Processing United Factory Food Institute (河南省漯河肉聯廠食品研究所) from March 1993 to March 1998. Ms. Wang was a director of the technology center of Shuanghui Group from March 1998 to November 2001.

Ms. Wang completed her correspondence studies in food engineering in Zhengzhou University of Light Industry (鄭州輕工業學院) in June 1997, obtained her senior engineer of food research certificate issued by the People's Government of Henan Province in May 2002 and also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005.

LIU Songtao (劉松濤)

LIU Songtao (劉松濤), age 47, has served as the executive vice president and chief financial officer of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since 26 December 2017 and is in charge of finance, information technology and finance company. He also holds directorships in various subsidiaries of the Group. Previously, Mr. Liu served as the vice president of Shuanghui Development and was in change of finance from 25 August 2012 to 25 December 2017, as a director of the finance department of Shuanghui Group from May 2003 to August 2012, as a director of the finance department of Shuanghui Development Luohe Slaughter Factory (雙匯發展漯河屠宰分廠) from March 2003 to May 2003, and as a director of the finance department of Luohe Huayi Food Co., Ltd. (漯河華意食品有限公司) from March 2002 to March 2003. Mr. Liu was awarded the bachelor's degree of chrematistics by Henan University (河南大學) in July 2000.

HALL Mark

HALL Mark, age 54, has served as Smithfield's executive vice president and chief financial officer since January 1, 2023. He joined Smithfield in 2014 as the vice president of Finance for the John Morrell Food Group. In 2015, he was promoted to serve as the vice president of Finance for Smithfield's combined packaged meats businesses. In 2019, he was promoted to senior vice president, Finance overseeing financial operations for Smithfield's fresh pork and packaged meats businesses. In late 2020, he was promoted to executive vice president, Finance overseeing financial planning and analysis, mergers and acquisitions, operations, logistics, and trade spend finance, data analytics and project and capital management in support of the U.S. business.

Mr. Hall has extensive finance experience including his experience in the food industry for over 25 years. He began his career in public accounting at Arthur Andersen, LLP and worked in Equity Research for Legg Mason Wood Walker, Inc. Prior to joining Smithfield in 2014, he held positions in The Quaker Oats Company and McCain Foods USA.

Mr. Hall has been a certified public accountant in the state of Illinois since August 1992. He graduated from the University of Iowa with a Bachelor of Business Administration in December 1991. He holds a Master of Business Administration (MBA) from the University of Maryland in August 2001.

CERDAN Luis

CERDAN Luis, age 58, has served as Smithfield's executive vice president of European operations since November 2020. Mr. Cerdan leads Smithfield's European packaged meats, fresh pork and poultry business in Poland, Romania, Slovakia, Hungary and UK. Mr. Cerdan joined Smithfield group in September 2002 and held various positions in Smithfield including managing director of Agriplus Spz.o.o, international president of Murphy Brown LLC (Smithfield's hog production business unit), vice president operations in Europe and president of Smithfield Poland. Prior to joining Smithfield, Mr. Cerdan served in different leadership positions in Grupo VALL COMPANYS SA in Spain.

Mr. Cerdan obtained his Advanced degree in Veterinary Science from the University of Zaragoza in Spain in February 1989, his Certificate in Advanced Management Program from Harvard Business School in May 2018 and his Certificate in Global Senior Management Program from the University of Chicago Graduate School of Business and Instituto de Empresa Business School in July 2006.

Business
Review

I. INDUSTRY OVERVIEW

The Group is a leading global pork company with operations in multiple geographical regions. In 2023, our business in the China contributed 33.3% of the revenue and 64.4% of the operating profit of the Group (2022: 33.9% and 49.7% respectively). Our businesses in the U.S. and the Mexico accounted for 54.0% of the revenue and 22.4% of the operating profit of the Group (2022: 56.0% and 44.9% respectively). The rest of the revenue and operating profit of the Group was primarily derived from our business in Europe. As the pork industry in each of the above regions is characterised distinctively but also co-related to each other to a certain extent, market dynamics of China, the U.S. and Europe are important to the results of our Group.

China

China is the largest pork producer and consumption market in the world. Supplies of pork in China are largely dependent on the availability of agricultural resources, government policies, regulatory environment, animal epidemics and production technology. Given the dominant position of pork in the Chinese diet, demand has always been stable and strong. As China continues to experience economic development and improvement of people's living standards, market demand for high-quality pork products is expected to expand further. In the meantime, seasonal and cyclical factors are also driving the short-term trend of the industry.

According to the National Bureau of Statistics of China, the total production of hogs in 2023 was 727 million heads, 3.8% higher than 700 million heads in 2022. The total production volume of pork was 57.9 million tons, an increase of 4.6% as compared to 55.4 million tons in the previous year. With reference to the statistics published by the MOA, the average hog price in 2023 was RMB15.40 (approximately US$2.17) per kg, a decrease of 19.0% as compared to that of 2022. The decrease was mainly due to the continuous increase in supply of market hogs and sluggish consumption demand.

As hog prices remained at relatively low levels, the total volume of imported pork in 2023 was 1.55 million tons according to the statistics of the General Administration of Customs of China, representing a decrease of 11.7% from that of 2022. The key importing regions during the year were the EU, Brazil and Canada in descending order of volume.

U.S.

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

With reference to the statistics of USDA, overall animal protein production in the U.S. slightly decreased by 0.5% in 2023, in which pork and chicken increased by 1.1% and 0.4% respectively but beef decreased by 4.6%. Specifically for pork, although number of breeding hogs and sows farrowed intentions were lower in 2023, improved sows productivity and hogs' health drove the increase in pork production. On the demand side, high retail prices of products in an inflationary environment and the discontinuation of government stimulus programs curbed domestic consumption. As a result, the average hog price, as published by CME, was US$1.36 per kg in 2023, representing a decrease of 17.1% over that of 2022. The average pork cut-out value, as reported by USDA, also decreased by 13.5% year on year to US$1.98 per kg in 2023.

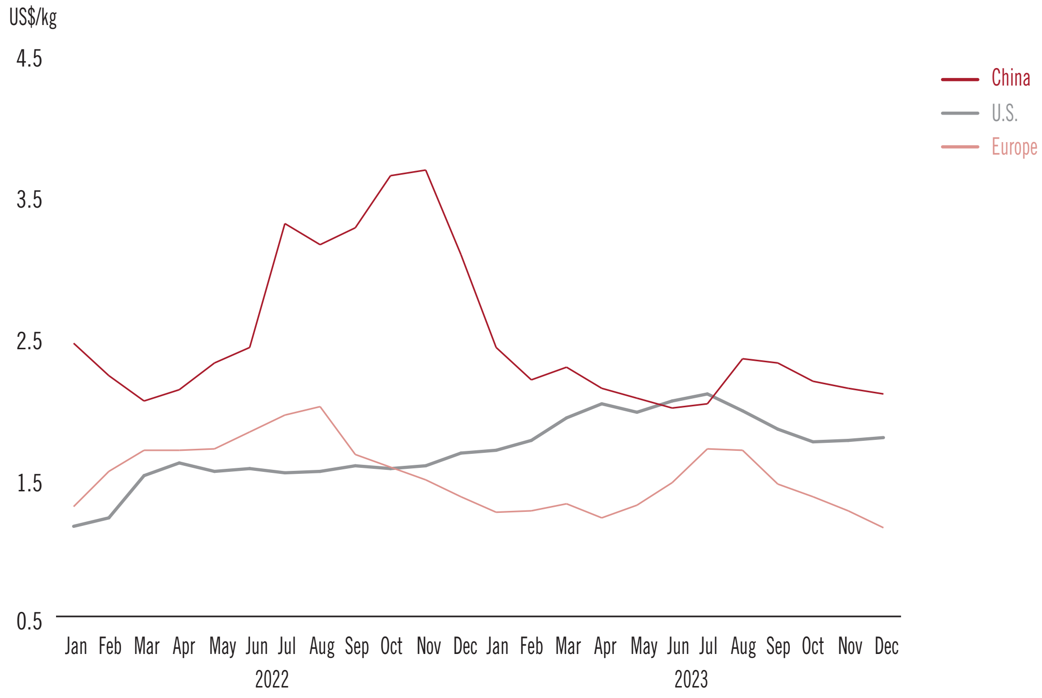
Benefited from the lower commodity prices of pork, export volume of U.S. pork and offals increased by 11.6% year on year according to the USDA. Major export destinations that recorded an increase in export volume included Mexico, South Korea and Canada. On the other hand, U.S. exports to China continued to decrease by 7.5% in 2023 as the price differential became narrow.

Europe

The EU, considering all its member states collectively, is the world's second largest producer of pork after China. 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 price is highly sensitive to export conditions.

According to the statistics disclosed by the EC, the aggregated pork production volume of the member states of the EU decreased by 7.3% in 2023 over that of 2022. The decrease was primarily due to the negative impact of African Swine Fever ("**ASF**") on production. The unfavourable prospects of export also prompted some producers to adjust their size of operations. Supply contraction coupled with inflation drove the average carcass price in EU up by 22.5% to Euro2.29 (approximately US$2.48) per kg in 2023, which represented an average hog price of approximately Euro1.73 or US$1.87. The relative high prices discounted the export competitiveness of EU. Its total export volume in 2023 decreased by 20.2% over that of 2022. Out of which, shipments to China decreased by 25.3%.

Hog prices in China, the U.S. and Europe during 2022 and 2023



Reference: MOA, CME and EC

II. RESULTS OF OPERATIONS

	2023 US$ million	2022 US$ million	Change %
Revenue[1]			
— Packaged meats[2]	**13,523**	14,559	(7.1)
— Pork[3]	**10,810**	11,797	(8.4)
— Others[4]	**1,903**	1,780	6.9
	26,236	28,136	(6.8)
Operating profit (loss)			
— Packaged meats[2]	**2,050**	2,065	(0.7)
— Pork[3]	**(480)**	30	N/A
— Others[4]	**(99)**	(2)	N/A
	1,471	2,093	(29.7)

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 products.

(4) Others' operating loss includes corporate expenses.

In 2023, revenue of the Group decreased by 6.8% to US$26,236 million as sales volume and average selling price of packaged meats and pork decreased. Operating profit also decreased by 29.7% to US$1,471 million. The primary reason was our pork segment recorded an operation loss in 2023 against an operating profit in 2022.

Out of all operating segments, packaged meats has always been our core business. In 2023, packaged meats accounted for 139.4% of the Group's operating profit and 51.5% of the Group's revenue (2022: 98.7% of the operating profit and 51.7% of the revenue). Our pork segment contributed negatively to the Group's operating profit and 41.2% of the Group's revenue (2022: 1.4% of the operating profit and 41.9% of the revenue).

Packaged Meats

	2023 US$ million	2022 US$ million	Change %
Revenue			
China	**3,697**	4,009	(7.8)
U.S.	**8,279**	9,260	(10.6)
Europe	**1,547**	1,290	19.9
	13,523	14,559	(7.1)
Operating profit			
China	**879**	910	(3.4)
U.S.	**1,072**	1,058	1.3
Europe	**99**	97	2.1
	2,050	2,065	(0.7)

In 2023, our packaged meats sales volume decreased by 4.4% to 3,196 thousand metric tons. In China, sales volume decreased by 3.5%. The decrease was mainly due to the overall consumer trend of spending more cautiously and the timing of Spring Festival based on Chinese calendar. It is our continuing strategy to transform our product portfolio by introducing new products and developing new channels. Sales volume in the U.S. decreased by 7.2% in 2023 as a result of the Disposal of Saratoga (as defined hereinbelow) and lower consumer demand. In Europe, our sales volume increased by 2.4% mainly because we completed the Acquisition of Goodies (as defined hereinbelow) during the year.

Revenue of packaged meats in 2023 decreased by 7.1% to US$13,523 million. The decrease of revenue in China by 7.8% was mainly caused by volume decline and local currency depreciation against US$. In the U.S., revenue decreased by 10.6% as sales volume reduced and sales prices adjusted according to contracted formula. In Europe, revenue during the year increased by 19.9% due to sales volume gain and sales prices elevation in response to cost pressure.

Operating profit of packaged meats was US$2,050 million in 2023, a slight decrease of 0.7% from that of 2022. In China, operating profit decreased by 3.4% due to negative currency impact. In terms of RMB, we achieved a record year because the benefit of lower raw material costs outweighed the reduction in sales. In the U.S., notwithstanding the decrease in sales, our operating profit increased by 1.3% due to lower raw material costs, favorable product mix and improved operational efficiency. In Europe, operating profit also increased by 2.1% primarily due to the impact of scale expansion and price adjustments, which countervailed the inflated raw material and other production costs.

Pork

	2023 US$ million	2022 US$ million	Change %
Revenue			
China	**3,812**	4,419	(13.7)
U.S. and Mexico	**5,860**	6,430	(8.9)
Europe	**1,138**	948	20.0
	10,810	11,797	(8.4)
Operating profit (loss)			
China	**54**	94	(42.6)
U.S. and Mexico	**(624)**	(43)	N/A
Europe	**90**	(21)	N/A
	(480)	30	N/A

Total number of hogs processed in 2023 was 49,169 thousand heads, an increase of 0.5% over that of 2022. In China, the number of hogs processed increased by 12.9% as we expanded production to capture more market share. Our processing volume in the U.S. and Mexico net decreased by 2.7%. The decrease was partly due to the closure of our processing facility located at California, the U.S. during the year (as discussed hereinbelow). The processing volume in Mexico, however, increased by 31.4% year on year. In Europe, the number of hogs processed in 2023 decreased by 7.4% as the availability of market hogs was impacted by ASF.

External sales volume of pork was 3,959 thousand metric tons in 2023, 1.5% lower than that of 2022. The decrease was caused by the lower harvest levels in the U.S. and Europe, which was partially offset by the increases in China and Mexico. Pork revenue in 2023 decreased by 8.4% year on year to US$10,810 million. In China, revenue decreased by 13.7% as average pork price was lower and currency translation impact was negative in 2023. In the U.S. and Mexico, revenue decreased by 8.9% as both sales volume and pork value were lower in 2023. In Europe, as the increase in selling prices outweighed the decrease in sales volume, revenue increased by 20.0%.

In 2023, we incurred an operating loss of US$480 million (2022: operating profit of US$30 million). The loss was primarily attributable to our pork operation in the U.S., which was challenged by adverse market conditions. While hog raising costs remained elevated due to high prices of feed grains, pork value was under the pressure of soft consumer demand. During the year, although we significantly improved our performance in the processing part of the operation, we suffered from unprecedented loss associated with the hog production part of the operation. Therefore, the operating loss of pork in the U.S. and Mexico increased from US$43 million in 2022 to US$624 million in 2023. In China, operating profit decreased by 42.6% to US$54 million as consumption was weak and market competition was keen. As a result of the low hog prices, hog production part of the operation in China was also unprofitable. In contrast, operating profit in Europe in 2023 was US$90 million (2022: operating loss of US$21 million). The turnaround was mainly due to the significant increase in hog prices, which outweighed the high raw material and manufacturing costs.

Others

In addition to packaged meats and pork, the Group also engages in certain ancillary businesses which 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.

Specifically, our poultry business in Europe and China processed approximately 314 million heads of broiler, goose and turkey in total during 2023, representing an increase of 30.8% from that of 2022. The growth of poultry business is integral to our strategy of protein diversification. For our logistics and supply chain management business, we currently own 19 logistics bases across 16 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 2023, revenue generated by our other businesses amounted to US$1,903 million, representing an increase of 6.9% over that of 2022. The increase was primarily due to the expansion of our poultry operation. The operating profit of other businesses, net of corporate expenses, reduced significantly as the sales of biological pharmaceutical products reduced in the U.S. and the global poultry industry was impacted by high input costs and diseases.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment in various parts of the world. As at the year end of 2023, we owned an annual production capacity of packaged meats of approximately 2.09 million metric tons, 1.62 million metric tons and 0.33 million metric tons with utilization rates of 69.8%, 83.4% and 118.1% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Mexico, and Europe were approximately 25.05 million heads, 30.09 million heads and 5.72 million heads, and their utilization rates were 50.9%, 95.6% and 105.9%, respectively in 2023.

OUTLOOK

In 2023, financial results of the Group had been significantly dragged by the performance of the hog production part of our pork operation in the U.S.. The elevated costs of raising hogs coupled with low hog prices brought us an unprecedented challenge on profitability. To turn the hog production business in the U.S. around, apart from implementing certain ongoing genetic change, health improvement and costs saving programs, we exerted greater efforts in rationalisation of production scale. Through the said series of reform measures, we strived to strengthen ourselves against market risks. We expect the effect of the reform would embody in the upcoming periods progressively. Plus the support of downward trending feed grains cost within the hog raising costs along with the commodity prices, the overall performance of the pork operation in the U.S. would significantly improve in 2024.

For our core business — packaged meats, macro-economic headwinds in 2024 might continue to weigh on consumer confidence and therefore consumption demand in different regions of the world. As a solid and strong packaged meats company, apart from continue to make good use of our strengths, we also rigorously promote adjustment of product mix, expand sales network, manage prices, and save costs to maintain performance and achieve growth. In the meantime, we will optimize our industrial chain, leverage on our global presence to better deploy resources and deepen synergies realisation. With the joint efforts of a cohesive management team, we strive for the best results amid the highly uncertain external environment.

Financial
Review

I. KEY FINANCIAL PERFORMANCE INDICATORS

	2023	2022	Change
Revenue growth rate (%)	(6.8)	3.1	N/A
EBITDA[(2)] margin (%)	7.5	11.2	(3.7) pp
Operating profit margin (%)	5.6	7.4	(1.8) pp
— Packaged meats	15.2	14.2	1.0 pp
— Pork	(3.3)	0.2	N/A
Per unit operating profit (US$/metric ton)			
— Packaged meats	641.4	617.5	3.9%
— Pork	(121.2)	7.5	N/A
Net profit[(2)] margin (%)	3.2	6.0	(2.8) pp
Current ratio (times)	1.6	1.6	—
Cash conversion cycle (days)	39.7	37.0	2.7
Debt to equity ratio (%)	30.5	32.3	(1.8) pp
Debt to EBITDA[(2)] ratio (times)	1.6	1.1	0.5
Return on total assets (%)	4.4	8.4	(4.0) pp
Return on equity (%)	6.5	14.9	(8.4) pp

Notes:

(1) pp represents percentage point.

(2) The calculation is based on EBITDA or net profit before biological fair value adjustments.

II. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, procurement of financing which is cost-efficient to the Group, management of credit profile as well as 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 an adequate level of liquidity. As at 31 December 2023, we had cash and bank balances of US$1,156 million (2022: US$1,394 million), which were held primarily in RMB and US$. The aggregate amount of unutilised banking facilities of the Group as at 31 December 2023 was US$5,569 million (2022: US$5,725 million). Out of which, committed banking facilities available to the Group as at 31 December 2023 was US$2,763 million (2022: US$2,505 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 31 December 2023, the aggregated balance was US$546 million (2022: US$431 million). During the year, 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 1.6 times as at 31 December 2023 (2022: 1.6 times).

Cash Flows

We fund the operations of the Group principally by cash generated from our operations, bank borrowings and other debt instruments, as well as equity financing from Shareholders. Our cash requirements relate primarily to daily production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, payment of capital expenditures, settlement of interests, distribution of dividends, and any unexpected cash requirements.

In 2023, our net cash from operating activities amounted to US$1,617 million (2022: US$1,803 million). The decrease in operating cash inflow was mainly driven by the decrease in earnings in 2023. Our net cash used in investing activities in 2023 amounted to US$663 million (2022: US$350 million). The increase in investing cash outflow was primarily because we benefited from the receipt of sales proceeds from the Disposal of Saratoga (as defined hereinbelow) in 2022. Our net cash used in financing activities in 2023 amounted to US$1,175 million (2022: US$1,542 million). The net financing cash outflow in both years were mainly related to payment of dividends and reduction of interest-bearing debts. As such, our net decrease in cash and cash equivalents in 2023 was US$221 million (2022: net decrease of US$89 million).

Credit Profile

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

For our wholly-owned subsidiary, Smithfield, Fitch Ratings affirms its Long-Term Foreign-Currency 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 outlook is also stable.

Debt Profile

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

	As at 31 December 2023 US$ million	As at 31 December 2022 US$ million
Borrowings by nature		
Senior unsecured notes	1,979	1,976
Bank borrowings	1,246	1,387
Loans from third parties	3	3
	3,228	3,366
Borrowings by geographical region		
U.S. and Mexico	1,991	1,993
China	1,173	1,145
Europe	64	228
	3,228	3,366
Borrowings by currency		
US$	1,980	2,176
RMB	1,093	573
HK$	78	370
Other currencies	77	247
	3,228	3,366

The Group's total principal amount of outstanding borrowings as at 31 December 2023 was US$3,252 million (2022: US$3,395 million). The maturity profile is analysed as follows:

	Total
In 2024	34%
In 2025	—*%
In 2026	4%
In 2027	19%
In 2029	13%
In 2030	15%
In 2031 or after	15%
	100%

* Less than 1%.

As at 31 December 2023, 99.8% of our borrowings were unsecured (2022: 99.8%), the remaining borrowings were secured by pledged bank deposits and other assets. Certain borrowings of the Group contained affirmative and negative covenants that are subject to certain qualifications and exceptions. We had no default in repayment of bank borrowings, nor did it breach any relevant financial covenants during the year.

Major Financing Activities

There were no major financing activities in 2023.

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

Leverage Ratios

As at 31 December 2023, 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 30.5% and 19.6%, respectively (2022: 32.3% and 18.9%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings less cash and bank balances to EBITDA before biological fair value adjustments) as at 31 December 2023 were 1.6 times and 1.1 times, respectively (2022: 1.1 times and 0.6 times, respectively).

Finance Costs

Our finance costs remained stable at US$169 million in 2023.

As at 31 December 2023, the average interest rate of our outstanding borrowings was 3.2% (2022: 4.0%).

III. CAPITAL EXPENDITURES

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

In 2023, capital expenditures amounted to US$812 million (2022: US$975 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2023 US$ million	2022 US$ million
China	**345**	554
U.S. and Mexico	**354**	338
Europe	**113**	83
	812	975

Our capital expenditures in China were mainly for the establishment of certain production facilities related to poultry and prepared meals. Our capital expenditures in the U.S. and Mexico were primarily deployed on the modernization of our processing plants and upgrade of our packaged meats production facilities. Our capital expenditures in Europe were mainly for plant expansion and several improvement projects.

IV. HUMAN RESOURCES

We believe that success of the Group largely depends on our capacity to attract and retain a dynamic workforce. As at 31 December 2023, the Group had approximately 101 thousand employees in total, in which approximately 46 thousand employees were with our China operation, approximately 38 thousand were with our U.S. and Mexico operations and approximately 17 thousand employees were with our European operations.

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

Our compensation principle is to align rewards of employees with the goals, objectives and financial performance of the Group. Therefore, our compensation includes appropriate fixed pays such as basic salaries and allowances; variable incentives such as performance bonus; and fringe benefits such as retirement plans and medical coverage. The Company also adopted a pre-IPO share option scheme in 2014. In 2023, total remuneration expenses of the Group amounted to US$4,110 million, representing an increase of 1.2% from that of 2022.

V. BIOLOGICAL ASSETS

As at 31 December 2023, we had a total of 12.1 million hogs, consisting of 11.1 million market hogs and 1.0 million breeding stock, a decrease of 8.3% from 13.2 million hogs as at 31 December 2022. We also had a total of 27.1 million poultry, consisting of 24.3 million broilers and 2.8 million breeding stock, an increase of 39.6% from 19.4 million poultry as at 31 December 2022. The fair value of our biological assets was US$1,363 million as at 31 December 2023, as compared to US$1,544 million as at 31 December 2022.

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 2023, the net impact of biological fair value adjustments on our profit was a gain in the amount of US$25 million, as compared to a loss in the amount of US$33 million of last year.

VI. KEY INVESTMENT INTERESTS

Strategic Investment Plan in Spain

In October 2023, the Group entered into a share purchase agreement relating to Argal Alimentación S.A. ("**Argal**"), a Spanish producer of charcuterie and other packaged meats. According to the agreement, the Group is going to assume a 50.1% stake and the current shareholders are going to maintain 49.9% equity interest in Argal based on a medium-term plan with agreed framework of joint management. The transaction was completed in March 2024 and Argal is expected to be a solid platform for our growth in Spain and Europe.

Acquisition of Goodies

In February 2023, the Group completed the acquisition of 100% equity interest 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.

Restructuring of Operations in Western U.S.

In May 2022, the Group announced the closure of our processing facility in California, exit of certain hog farm operations in Arizona and California, and reduction of our sow herd in Utah, as operating in these areas had been increasingly costly. During the year, we continued to incur exit and restructuring costs amounted to US$54 million (2022: US$151 million). On the other hand, we also sold the aforesaid processing facility to an independent third party in June 2023 for net proceeds of US$205 million and recognised a pre-tax disposal gain of US$86 million.

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 and etc. in Missouri and Utah to sustainably mitigate the operational risks and improve the financial performance of the Group. As a result, our hog production volume in the U.S. cutback by 8% year on year and incurred additional charges of US$176 million in total during 2023 associated with accelerated depreciation, contract termination costs, employee termination benefits, impairments of assets and other exit costs.

Exit of Norson

In November 2022, the Group completed the sale of our entire joint-venture interest in Norson Holding, S. de R.L. de C.V. (“**Norson**”), an integrated hog producer and processor in Mexico, and recognized a pre-tax disposal loss of US$12 million. The exit of Norson was part of our investment strategy in Mexico.

Disposal of Saratoga

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

Investments in Renewable Natural Gas

The Group has several joint-ventures and associates in the U.S., namely Align, Monarch and Viceroy, which are engaged in converting waste from our hog farming operations into carbon negative renewable natural gas to power homes, vehicles and businesses. Viceroy was formed in February 2022. Also in February 2022, Monarch issued additional shares representing a 33% ownership interest to a new investor. Our stake in Monarch eventually reduced from 50% to 33% and we recognized a pre-tax gain of US$52 million in 2022.

VII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The Risk Management Committee is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2023, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management ("**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group is effectively in place.

Commodities Price Risks

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

In China, we mitigate the effects of commodity 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. Some of these commodities are also actively traded on the exchanges. We hedge when we determine conditions are suitable to mitigate price risk. The main objective of hedges is to mitigate commodity price risk associated with the raw material costs and forward sales of our packaged meats and pork businesses. While such hedging activities may limit our ability to participate in gains from favorable commodity fluctuations, they 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 31 December 2023, approximately 88.9% of our borrowings (other than bank overdrafts) were at fixed interest rates (2022: 76.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedges (if appropriate).

VIII. CONTINGENT LIABILITIES

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

Antitrust Litigation

Smithfield has been named as one of the defendants by three groups of plaintiffs (namely the direct purchasers, commercial and institutional indirect purchasers and consumer indirect purchasers) and certain 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 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 also has entered into negotiations to settle certain outstanding non-class cases and related claims. Currently, 34 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 on a continuous basis and takes actions which are considered to be in the best interest of the Group. The Group also made provisions for the contingencies based on professional best estimates. More details of the Antitrust Litigation and other lawsuits are set out in Note 41 to the consolidated financial statements.

IX. SUSTAINABILITY

The Group is committed to providing sustainable protein choices for consumers globally. As we grow our businesses, we also track our impact to natural environment and communities where we operate, monitor the evolution of consumer needs, at the same time, build mutual respect with employees and enable their development. We are engaged in delivering positive contributions to building a healthy and vibrant industry chain, along with our suppliers and distributors. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are different in various markets we have a presence. Under the guidance of the environmental, social and governance committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group's Corporate Principles. In the reporting period, the Group made reference to the HKEX's Consultation Paper on Enhancement Of Climate-Related Disclosures Under The Environmental, Social And Governance Framework to synthesize potential climate opportunities, fortify our climate risk response and adaptation planning, and extrapolate anticipated qualitative financial impact. We also facilitated the carbon inventory work of Shuanghui Development and Smithfield Foods, inclusive of Scope 3 greenhouse gas emissions from material sourcing, farming, harvesting and processing, distribution, storage, transportation and other processes.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our Environmental, Social and Governance Report to be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.wh-group.com) at the same time as the publication of the 2023 annual report of the Company.

In 2023, 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 by MSCI, the world's largest index company, demonstrating the market's recognition of the Group's performance in sustainable development.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2023.

Commitment to Corporate Governance

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintaining investors' trust in the Company. The Group's management also actively observes the latest corporate governance developments in the PRC, Hong Kong and abroad. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term shareholder value and to promote the development of the Group.

Corporate Governance Practices

The corporate governance practices are based on the principles and code provisions set out in the CG Code. In the opinion of the Board, the Company has complied with the provisions of the CG Code as set out in Appendix C1 to the Listing Rules throughout the Review Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he/she had complied with all required standards set out in the Model Code and the Code of Conduct throughout the Review Period.

THE BOARD

Roles and Responsibilities

The Board, led by the chairman, Mr. WAN Long, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company.

The Board, which is accountable to the Shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company. It meets these obligations by ensuring the maintenance of high standards of governance in all aspects of the Company's business, setting the strategic direction for the Group and maintaining appropriate levels of review, challenge and guidance in its relationship with the Group's management. It is also the ultimate decision-making body for all matters considered material to the Group and is responsible for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate.

The Board should also establish the Company's purpose, values and strategy, and satisfy itself that these and the Company's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

The Company has established sound mechanisms to ensure that the Board has a strong independent element and that independent views and input are available to the Board, and the mechanisms will be reviewed from time to time to ensure that they are effective. Details of the mechanisms for enhancing the independence of the Board are set out below in this corporate governance report.

Board Composition

The Board members as at date of this report are as follows:

Executive Directors:

Mr. WAN Long	*(Chairman, and Chairman of the Nomination Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. GUO Lijun	*(Chief Executive Officer, Chairman of the Environmental, Social and Governance Committee and member of the Risk Management Committee)*
Mr. WAN Hongwei	*(Deputy Chairman, member of the Environmental, Social and Governance Committee and the Food Safety Committee)*
Mr. MA Xiangjie	*(President of Shuanghui Development and member of the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee)*
Mr. Charles Shane SMITH	*(President and Chief Executive Officer of Smithfield, and member of the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee)*

Non-executive Director:

Mr. JIAO Shuge	*(Member of the Remuneration Committee)*

Independent non-executive Directors:

Mr. HUANG Ming	*(Chairman of the Remuneration Committee, and member of the Audit Committee and the Nomination Committee)*
Mr. LAU, Jin Tin Don	*(Member of the Audit Committee, the Nomination Committee and the Environmental, Social and Governance Committee)*
Ms. ZHOU Hui	*(Chairman of the Audit Committee, and member of the Remuneration Committee, the Food Safety Committee and the Risk Management Committee)*

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

Save as disclosed in the section headed "Biographies of Directors and Senior Management", the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. During the Review Period, Mr. WAN Long is the chairman of the Company and Mr. GUO Lijun is the chief executive officer of the Company.

(ii) Non-executive Director and independent non-executive Directors

During the Review Period, the Board had three independent non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Notwithstanding that Mr. Huang Ming and Mr. Lau, Jin Tin Don have served as an independent non-executive Director for more than nine years, the Board considers that their independence is not affected by their tenures with the Company and their professional knowledge and business experience have continued to offer valuable contributions to the Board, the Company and the Shareholders as a whole, and enhanced the diversity of the Board. Therefore, the Company considers that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

Appointment, re-election and removal of Directors

The Company uses a formal and transparent procedure for the appointment of new Directors. Recommendations for the appointment of new Directors are received by the Board from the Nomination Committee. The Board then deliberates over such recommendations prior to approval.

The non-executive Director and independent non-executive Directors have been appointed for a specific term of three years, subject to re-nomination and re-election as required by the Articles of Association or pursuant to the Listing Rules at the general meetings of the Company.

Meetings

The Board meets on a regular basis, and on an ad hoc basis, as required by business needs. During the Review Period, the Board convened five (5) meetings to approve interim and annual results announcements and financial reports, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with all independent non-executive Directors, without presence of other Directors.

The attendance of each individual Director at the Board meetings, Board Committees meetings, annual general meeting and extraordinary general meeting during the Review Period is set out in the following table:

	Number of meetings attend/held								
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Environmental, Social and Governance Committee Meeting	Food Safety Committee Meeting	Risk Management Committee Meeting	Annual General Meeting	Extraordinary General Meeting
WAN Long	5/5	N/A	N/A	1/1	N/A	2/2	1/1	1/1	N/A
GUO Lijun	5/5	N/A	N/A	N/A	2/2	N/A	1/1	1/1	N/A
WAN Hongwei	5/5	N/A	N/A	N/A	2/2	2/2	N/A	1/1	N/A
MA Xiangjie	5/5	N/A	N/A	N/A	2/2	2/2	1/1	0/1	N/A
Charles Shane SMITH	5/5	N/A	N/A	N/A	2/2	2/2	1/1	0/1	N/A
JIAO Shuge	5/5	N/A	1/1	N/A	N/A	N/A	N/A	0/1	N/A
HUANG Ming	5/5	3/3	1/1	1/1	N/A	N/A	N/A	0/1	N/A
LAU, Jin Tin Don	5/5	3/3	N/A	1/1	2/2	N/A	N/A	1/1	N/A
ZHOU Hui	5/5	3/3	1/1	N/A	N/A	2/2	1/1	0/1	N/A

Training for Directors

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives.

All newly appointed Directors have received the induction programme and briefing on director's duties and obligations on corporate governance and regulating requirements prepared and delivered by our external legal advisor immediately prior to or on their respective date of appointment.

The Company arranges and provides CPD training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

During the Review Period, the Directors participated in the following trainings:

	CPD Training
Name of Director	**Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates**
Executive Directors	
Mr. WAN Long	✓
Mr. GUO Lijun	✓
Mr. WAN Hongwei	✓
Mr. MA Xiangjie	✓
Mr. Charles Shane SMITH	✓
Non-executive Director	
Mr. JIAO Shuge	✓
Independent non-executive Directors	
Mr. HUANG Ming	✓
Mr. LAU, Jin Tin Don	✓
Ms. ZHOU Hui	✓

Board Committees

The Company's corporate governance is implemented through a structured hierarchy, which includes the Board of Directors and six committees of the Board, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee. The terms of reference of the Board Committees are available on the websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Further details of the roles and functions of the Board Committees are set out below.

Audit Committee

Throughout the Review Period, the Audit Committee comprised three independent non-executive Directors, namely Ms. ZHOU Hui, Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Ms. ZHOU Hui, who has professional qualifications in accountancy, is the chairman of the Audit Committee. The Audit Committee held three (3) meetings during the Review Period. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The primary duties performed by the Audit Committee during the Review Period were the oversight of the Group's financial reporting system and internal control procedures, monitoring the integrity of the preparation of the Company's financial information including quarterly, interim and annual results of the Group, reviewing the Group's financial and accounting policies and practices and monitoring the effectiveness of the internal audit function. The Audit Committee also provided oversight for and management of the relationship with the Group's external auditor, including reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

Remuneration Committee

Throughout the Review Period, the Remuneration Committee comprised three members, being two independent non-executive Directors, namely Mr. HUANG Ming (the chairman of the Remuneration Committee) and Ms. ZHOU Hui, and one non-executive Director, namely Mr. JIAO Shuge. The Remuneration Committee held one (1) meeting(s) during the Review Period to review the remuneration packages and overall benefits for the Directors and senior management of the Company.

The primary duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. During the Review Period, the Remuneration Committee consulted the Chairman and/or chief executive about their remuneration proposals for the executive Directors and assessed the performance of the executive Directors, and was provided with sufficient resources enabling it to discharge its duties. The Remuneration Committee would access to independent professional advice if necessary.

The remuneration of Directors is also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Details of emoluments of Directors for the Review Period are set out in Note 10 to the consolidated financial statements. The emoluments paid or payable to senior management during the Review Period were within the following bands:

	Number of Senior Management
HK$2,000,001 to HK$2,500,000	2
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	2
HK$4,000,001 to HK$4,500,000	1
HK$4,500,001 to HK$5,000,000	1
HK$6,000,001 to HK$6,500,000	1
HK$20,000,001 to HK$20,500,000	1
HK$25,000,001 to HK$25,500,000	1
Total	10

Nomination Committee

Throughout the Review Period, the Nomination Committee comprised three members, being an executive Director, namely Mr. WAN Long, and two independent non-executive Directors, namely Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. WAN Long is the chairman of the committee. The Nomination Committee held one (1) meeting(s) during the Review Period to review the Board's composition and the independence of the three independent non-executive Directors.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, size, composition and diversity of the Board, to oversee the identification and assessment of potential board candidates, to provide oversight and direction in respect of the succession planning for directors and to determine the composition of Board Committees. The Nomination Committee also makes recommendation to the Board on the re-election of the retiring Directors. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. With a view to achieving a sustainable and balanced development, the Company has followed the board diversity policy adopted by the Board on 17 July 2014 which is available on the Company's website. Under the board diversity policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishment and professional knowledge and industry experience which may be relevant to the Group; (iii) commitment in respect of available time, interest and attention to the businesses of the Group; (iv) perspectives, skills and experience that the individual can bring to the Board; (v) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long term objectives of the Group; and (vii) in case of a candidate for independent non-executive Director, the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules. These processes meet or exceed the Stock Exchange's requirements to ensure that every Director has the requisite character, experience and integrity and is able to demonstrate a standard of competence, commensurate with his position as a director of a listed issuer, and that where nomination of independent non-executive Directors is under consideration, the requirements of Rule 3.13 of the Listing Rules are satisfied.

The Board currently has one female Director out of nine Directors, and is committed to maintaining gender diversity as and when suitable candidates are identified. In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across our operations. As at 31 December 2023, we maintained a 59%:41% ratio of men to women in the workplace. As such, the Company's workforce has achieved gender diversity between males and females. The Company would continue to take into account of diversity perspectives, including gender diversity, in its hiring process.

Environmental, Social and Governance Committee

Throughout the Review Period, the Environmental, Social and Governance Committee comprised five members, being four executive Directors, namely Mr. GUO Lijun (the chairman of the committee), Mr. WAN Hongwei, Mr. MA Xiangjie and Mr. Charles Shane SMITH and one independent non-executive Director, namely Mr. LAU, Jin Tin Don. The Environmental, Social and Governance Committee held two (2) meetings during the Review Period to review the environmental, social and governance matters which are relevant and material to the operations of the Group. The primary duties of the Environmental, Social and Governance Committee include, but are not limited to, the following:

(i) identifying the environmental, social and governance matters that are relevant and material to the operations of our Group and/or that affect shareholders and other key stakeholders (the "**Key ESG Matters**"), which shall include workplace quality, environmental protection, operating practices, community involvement and animal welfare;

(ii) reviewing and making recommendations to the Board on the effectiveness of the Key ESG Matters;

(iii) monitoring the standards set and performance achieved on the Key ESG Matters by our Group; and

(iv) identifying and engaging stakeholders to understand and responding to their views by appropriate means.

The Group has a heritage of commitment to the local communities in which it conducts business and is committed to the long-term sustainability of the business. The Environmental, Social and Governance Committee will continue to formulate guidelines and initiatives that can be implemented on a Group-wide level.

Food Safety Committee

Throughout the Review Period, the Food Safety Committee comprised five members, being four executive Directors, namely Mr. WAN Long (the chairman of the committee), Mr. WAN Hongwei, Mr. MA Xiangjie and Mr. Charles Shane SMITH and one independent non-executive Director, namely Ms. ZHOU Hui. The Food Safety Committee held two (2) meetings to consider the effective control over food quality and safety matters during the Review Period.

The primary duties of the Food Safety Committee include, but are not limited to, the following:

(i) making recommendations to the Board on our policies, practices and performance in relation to food quality and safety to comply with the relevant laws and regulations; and

(ii) assessing, reviewing, monitoring and making recommendations to the Board on the food safety internal control standards and our Group's products traceability capabilities.

Risk Management Committee

Throughout the Review Period, the Risk Management Committee comprised five members, being four executive Directors, namely Mr. WAN Long (the chairman of the committee), Mr. GUO Lijun, Mr. MA Xiangjie and Mr. Charles Shane SMITH, and one independent non-executive Director, namely Ms. ZHOU Hui. The Risk Management Committee held one (1) meeting during the Review Period.

The primary duties of the Risk Management Committee include, but are not limited to, the following:

(i) establishing and overseeing the risk management system, through which the Risk Management Committee considers and formulates risk management framework and to provide guidelines to the management on risk management by setting up procedures to identify, assess and manage material risks faced by our Group, including but not limited to strategic, financial, operational, legal and regulatory risks;

(ii) reviewing and assessing regularly the adequacy and effectiveness of our Group's risk management framework, internal control systems relating to risk management and risk management policies and procedures in order to identify, assess and manage risks, as well as to oversee and ensure their effective operation, implementation and maintenance;

(iii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

(iv) reporting any significant risk management issues to the Board and make recommendations and solutions on improvement of the Company's compliance and risk management.

During the financial year, the Risk Management Committee performed, considered and/or resolved the following matters:

(i) conducting the annual review of the adequacy and effectiveness of the Group's risk management and internal control systems, including consideration of the adequacy of resources, staff qualifications and experience of the Group's internal audit function;

(ii) approving the annual audit plan provided by the internal audit department;

(iii) reviewing the reports from the internal audit department and assessing the findings of substantial non-compliance or irregularity matters and rectification measures taken; and

(iv) reviewing the effectiveness of the Group's internal audit function.

The annual review of the effectiveness of the risk management and internal control systems for the financial year has been conducted, details of which are set out in the section entitled "Risk Management and Internal Control" below.

Company Secretary

The Company Secretary of the Company is accountable to the Board for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

The Company Secretary is also directly responsible for the Groups' compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to Shareholders and the market of information relating to the Group.

During the Review Period, the Company Secretary has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors acknowledged their responsibility to prepare the accounts and to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2023 is set out in the independent auditor's report on pages 60 to 64 of this report.

Risk Management and Internal Control

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

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The Group's risk management department reviewed the effectiveness of risk management process and risk management report submitted by management. Key risks and mitigation measures were reported to the Risk Management Committee, in which it oversaw the development and implementation of the Group's risk management system.

The internal controls of the Group are designed to assist the Group in protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls and risk management functions. The Group's risk management department carried out risk-based audits and reported key findings and management action plans to the Audit Committee, in which it would review the Group's risk management and internal control system and reported twice a year to the Board. Such review had been conducted during the Review Period. The scope of review covered, amongst others:

(i) the adequacy of the resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting and environmental, social and governance ("**ESG**") functions;

(ii) the changes in the nature and extent of significant risks (including ESG risks) since the previous review and the Group's ability to respond to changes in its business and the external environment;

(iii) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the risk management and internal control systems, the work and effectiveness of internal audit function and the assurances provided by the management;

(iv) the extent and frequency with which the results of monitoring are communicated to the Board, enabling the Risk Management Committee and Audit Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness of risk management;

(v) the incidence of any significant control failings or weaknesses that have been identified at any time during the Review Period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

(vi) the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance.

In addition, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls during 2023. An opinion on the effectiveness of the ERM System of the Company was submitted to the Risk Management Committee, which considers that the ERM System of the Group is effectively in place.

The Board considered the Group's risk management and internal control systems are effective and adequate. No significant areas of concern that might affect the financial, operational and compliance issues and risk management functions of the Company were identified.

Inside Information

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies and information disclosure management system, which lay down the scope of inside information, roles and responsibilities, reporting and disclosure requirements, registration of insiders and confidentiality management, and punishment in case of violation, have been established in compliance with the Listing Rules, the SFO and the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission of Hong Kong.

Internal Audit

The Group has established an internal audit function, which reports to the Audit Committee. The primary duties of the internal audit function include reviewing the financial conditions and internal control of the Group, and conducting comprehensive audits of the Group on a regular basis.

Independent Auditor

The Group's independent auditor for the Review Period is Ernst & Young. It was responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

Auditors' Remuneration

During the Review Period, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

Services rendered	Fees paid/payable (US$ million)
Audit services	6
Non-audit services (Note)	1

Note: Non-audit services mainly represent taxation and other advisory services.

Shareholders' Communication Policy

(i) Shareholders' Rights and Communication

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on every substantial matter, including the election of individual Directors, for Shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting and extraordinary general meetings as important events and Directors, chairman of each Board Committee, senior management and external auditors make an effort to attend the annual general meeting and extraordinary general meetings of the Company to address Shareholders' queries. All resolutions proposed at Shareholders' meetings will be voted on by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com) on the same day of the relevant general meetings.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the voting rights of the Company pursuant to Article 12.3 of the Articles of Association. Such requisition must specify the objects of the meeting and signed by requisitionists and deposited at the principal office of the Company in Hong Kong or the Company's registered office. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting.

There are no provisions in the Articles of Association or the Cayman Companies Act for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director. Shareholders may request the Company to convene an extraordinary general meeting in accordance with the procedures set out in the preceding paragraph for any business specified in such written requisition.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal office of the Company in Hong Kong for the attention of the Company Secretary.

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

Stakeholder Engagement

WH Group attaches great importance to the concerns of stakeholders and the expectations of the general public. It has established diversified regular communication channels to identify and respond to the concerns of stakeholders, including investors, employees, suppliers, regulators, industry associations and experts, non-governmental organizations, sustainability think tanks, media, distributors and consumers. We aim to establish a relationship built on trust with all stakeholders and protect their interests while growing our business sustainably.

WH Group has also established multi-level communications with stakeholders, including those channels and network within the Group's two subsidiaries of Smithfield and Shuanghui Development respectively.

Shuanghui Development	Smithfield
Shuanghui Development attaches great importance to the communication and exchange with its stakeholders, and encourages all parties related to business operations to participate in the establishment of Environmental, Social and Governance policies and systems, as well as play a role in the supervision on the implementation and quality of the company's related work.	Smithfield regularly engages stakeholders, including employees, customers, communities, governments and regulators, suppliers, industry associations and academia, to ensure the effective implementation of the company's sustainability philosophy.

(ii) Investors Relations

The Company has maintained a continuing dialogue with the Company's Shareholders and investors through various channels, including, among others, the Company's interim and annual reports, notices, announcements, corporate governance practice and the Company's website at www.wh-group.com. The Company also holds press conferences from time to time at which the executive Directors and senior management of the Group are available to answer questions regarding the Group's business and performance.

The Board conducted a review of the implementation and effectiveness of the communication policy for shareholders and external parties. Having considered the multiple channels of communication in place (see this paragraph and pages 45 to 46 of this Corporate Governance Report), the Board is satisfied that the shareholders' communication policy has been properly implemented during 2023 and is effective.

Constitutional Documents

For the purposes of (i) bringing the then existing memorandum and Articles of Association in line with the amendments made to the Listing Rules (in particular to conform to the core shareholder protection standards as set out in Appendix 3 to the Listing Rules) and applicable laws of the Cayman Islands; and (ii) making certain other housekeeping amendments, the Company has amended its memorandum and Articles of Association during the Review Period. Details of the amendments are set out in the circular of the Company dated 25 April 2023. A copy of the Company's amended and restated memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2023.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The Group is the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are set out in the sections headed "Business Review" and "Financial Review" of this report.

Business Review

A business review of the Group is set out on pages 17 to 23 of this report.

Results

Results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 65 to 66 of this report.

Dividends

The Board has proposed to recommend the payment of a final dividend of HK$0.25 per Share (the "**2023 Final Dividend**") (2022: HK$0.25 per Share) in cash to the Shareholders for the year ended 31 December 2023. Taking into account of the interim dividend of HK$0.05 per Share paid on 29 September 2023, total dividend for the year ended 31 December 2023 will be HK$0.30 per Share (2022: HK$0.30 per Share), representing a total payment of approximately HK$3,849 million, or an equivalent to US$492 million (2022: approximately HK$3,849 million, or an equivalent to US$490 million). The 2023 Final Dividend is subject to approval of the Shareholders at the forthcoming AGM to be held on Thursday, 9 May 2024 (the "**2024 AGM**").

Upon the Shareholders' approval being obtained at the 2024 AGM, the 2023 Final Dividend will be payable on or around Thursday, 30 May 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 21 May 2024.

Book Closure of Register of Members

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

(i) To attend and vote at the 2024 AGM

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2024 AGM, the registers of members of the Company will be closed from Monday, 6 May 2024 to Thursday, 9 May 2024, both days inclusive. In order to be eligible to attend and vote at the 2024 AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Registrar**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2024.

(ii) To qualify for the proposed 2023 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2023 Final Dividend, the registers of members of the Company will be closed from Friday, 17 May 2024 to Tuesday, 21 May 2024, both days inclusive. In order to qualify for the proposed 2023 Final Dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Thursday, 16 May 2024.

Dividend Policy

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

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the Review Period are set out on pages 69 to 70 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at 31 December 2023 amounted to US$2,771 million.

Donations

The Group attaches great importance to the establishment of a friendly and harmonious relationship between the Group and the community and actively communicates with the community and gives back to it through donations and volunteer service. During the Review Period, charitable donations made by the Group amounted to US$4 million.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the Review Period and as at 31 December 2023 are set out in Note 36 to the consolidated financial statements.

Borrowings and Capitalisation of Interests

Details of borrowings are set out in Note 30 to the consolidated financial statements. Details of the Group's capitalised interest expenses and other borrowing costs during the Review Period are set out in Note 8 to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

The Group's operations are carried out primarily in the PRC, the U.S. and Europe, while the Shares are listed on the Stock Exchange. The Group's business and operation are therefore subject to the laws of the relevant jurisdictions in the PRC, the U.S., Europe and Hong Kong.

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Review Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Review Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

Remuneration Policy and Retirement Benefits of the Group

For remuneration policy of the Group, please see the section headed "Human Resources" of the section headed "Financial Review".

The Group entities which operate in U.S. provide pension benefits for all their qualified employees, through defined benefit pension plans. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2023 by credentialed actuaries, Mercer (US), Inc., who meet the Qualification Standards of the American Academy of Actuaries. As at 31 December 2023, the fair value of plan assets was approximately 79.1% of our pension benefits obligations under such defined benefits plans. Given the foregoing, we have met or exceeded our funding requirements for our obligations under such defined benefits plans as required by the relevant U.S. regulations for the year ended 31 December 2023.

Please see Note 33 to the consolidated financial statements contained herein for further details relating to such defined benefits plans and the Group's other retirement benefits plans.

Basis of Determining Remuneration to Directors

Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the executive Directors, including the share option scheme, same as those offered to other employees of the Group.

Financial Review

The results highlights of the Group is set out on page 4 of this report, while a financial review of the Group is set out on pages 24 to 32 of this report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

Directors

Certain information on the members of the Board as at the date of this report is set out on page 34 of this report.

In accordance with Article 16.18 of the Articles of Association, Mr. WAN Long, Mr. Charles Shane SMITH and Mr. JIAO Shuge shall retire by rotation of Directors at the 2024 AGM. Mr. WAN Long, Mr. Charles Shane SMITH and Mr. JIAO Shuge being eligible, will offer themselves for re-election at the 2024 AGM.

Brief biographical details of the Directors and senior management are set out on pages 8 to 16 of this report.

Directors' Service Contracts

None of the Directors who is proposed for re-election at the 2024 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract of Significance

No transaction, arrangement or contract of significance in which any Director or any entity connected with the Director is or was materially interested, either directly or indirectly, subsisted during the Review Period or at the end of the financial year.

Controlling Shareholders' Interests in Contract of Significance

No contract of significance between any members of the Group and any of the controlling shareholders of the Company, or any of their subsidiaries, subsisted during the Review Period.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the Review Period, no claim had been made against the Directors and the officers of the Company.

Permitted Indemnity Provision

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

Directors' Rights to Purchase Shares or Debentures

Save for the Pre-IPO Share Options granted pursuant to the Pre-IPO Share Option Scheme as set out below, at no time during the Review Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Disclosure of Interests

Directors

As at 31 December 2023, 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 Shares of the Company

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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%

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.

(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	Approximate Percentage of Shareholding[1]
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) 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 31 December 2023, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at 31 December 2023, 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:

Interest in the Shares of the Company

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%
Mondrian Investment Partners Limited	Investment manager	769,560,450(L)	6.00%
The Bank of New York Mellon Corporation	Interest in controlled corporation	648,030,161(L)	5.05%
		282,093,180(S)	2.20%
		355,072,344(P)	2.77%

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 of 31 December 2023, 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 lending pool.

Save as disclosed above, as at 31 December 2023, 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 Pre-IPO Share Options held by the Directors, the connected persons and certain employees of the Group under the Pre-IPO Share Option Scheme and their movements during the Review Period:

Number of Pre-IPO Share Options

		Number of Pre-IPO Share Options				
Grantee	**Date of Grant**	**As at 1 January 2023**	**Exercised**	**Cancelled**	**Lapsed**	**As at 31 December 2023**
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

Grantee	Date of Grant	Number of Pre-IPO Share Options: As at 1 January 2023	Exercised	Cancelled	Lapsed	As at 31 December 2023
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
LI Yong (李永)	10 July 2014	999,976	—	—	999,976	—
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			—	—	999,976	101,313,010
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
Senior management and other employees (in aggregate)	10 July 2014	69,273,565	—	—	6,912,344	62,361,221
Total		432,481,710	—	—	7,912,320	424,569,390
Five highest paid individuals during the financial year* (in aggregate)	10 July 2014	7,000,000	—	—	—	7,000,000

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 five highest paid individuals of the Group are grantees of the Pre-IPO Share Options, being Mr. SMITH Charles Shane (a Director), Mr. HE Shenghua (賀聖華) (a connected person of our Group) and three employees of our Group.

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, the jurisdiction in which the Company was incorporated, and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

Competing Interests

During the Review Period, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Corporate Governance Measures in Relation to Non-Competition Undertakings

Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company on 18 July 2014 (the "**Deed of Non-competition**"). Details of the Deed of Non-competition have been set out in the Prospectus. There has been no change to the terms of the Deed of Non-competition during the Review Period.

The Company has received confirmations on compliance with the undertakings under the Deed of Non-Competition from the Covenantors for the Review Period (the "**Confirmations**"). Upon receiving the Confirmations, the independent non-executive Directors have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors of the non-competition undertakings in the Deed of Non-competition.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Review Period.

Major Suppliers and Customers

The purchases and revenue attributable to the Group's five largest suppliers and five largest customers combined, respectively, was each less than 30% for the year ended 31 December 2023.

None of the Directors, their close associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the five largest customers or suppliers of the Group.

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board has adopted the CG Code as set out in Appendix C1 to the Listing Rules and the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing Date.

Sufficient Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Connected Transactions

During the Review Period, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules. The related party transactions disclosed under Note 42 to the consolidated financial statements do not constitute connected transactions of the Company.

Future Development

Please refer to page 23 and the section headed "Chairman's Statement" of this report for the prospects of the Company's business.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment, at the 2024 AGM.

On behalf of the Board
Wan Long
Chairman of the Board

Hong Kong, 26 March 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of WH Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 65 to 182, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of live hogs included in biological assets	
The carrying value of the Group's live hogs included in biological assets amounted to US$1,111 million, representing 5.8% of the Group's total assets as at 31 December 2023. The carrying value of live hogs was measured at fair value less costs to sell, which was determined based on the price of hogs in the actively traded market, reduced by the estimated breeding costs required to raise the hogs to be slaughtered, the estimated margins that would be required by a raiser, and estimated costs to sell. The Group engaged an independent qualified valuer to perform the live hog valuations. We identified the fair value measurement of live hogs as a key audit matter because of the significant degree of judgement involved in the valuations to determine the fair value less costs to sell of live hogs. Disclosures of determination of the fair value less costs to sell and the key assumptions involved are included in notes 4 and 17 to the consolidated financial statements.	Our procedures in relation to assessing the fair value measurement of live hogs included in biological assets included: • understanding how management determined the fair value measurement of live hogs included in biological assets, including the involvement of the independent valuer; • evaluating the competence, capabilities, independence and objectivity of the independent valuer; • reviewing the valuation model prepared by the independent valuer in determining the fair value less costs to sell of live hogs; • comparing the market price of live hogs used as inputs for the valuations with available market data; and • evaluating the estimates of breeding costs required to raise the live hogs, the estimated margins that would be required by a raiser and estimated costs to sell against the historical performance.

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

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Ka Wing.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 Results before biological fair value adjustments US$'million	2023 Biological fair value adjustments US$'million	2023 Total US$'million	2022 Results before biological fair value adjustments US$'million	2022 Biological fair value adjustments US$'million	2022 Total US$'million
REVENUE	5	26,236	—	26,236	28,136	—	28,136
Cost of sales		(21,980)	869	(21,111)	(23,202)	243	(22,959)
Gross profit		4,256	869	5,125	4,934	243	5,177
Distribution and selling expenses		(1,977)	—	(1,977)	(2,082)	—	(2,082)
Administrative expenses		(889)	—	(889)	(842)	—	(842)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		—	(646)	(646)	—	(76)	(76)
Loss arising from changes in fair value less costs to sell of biological assets		—	(190)	(190)	—	(223)	(223)
Other income	6	138	—	138	127	—	127
Other gains and (losses)	7	(8)	—	(8)	278	—	278
Other expenses		(289)	—	(289)	(62)	—	(62)
Finance costs	8	(169)	—	(169)	(169)	—	(169)
Share of profits (losses) of associates		(4)	—	(4)	8	—	8
Share of losses of joint ventures		(34)	—	(34)	(6)	2	(4)
PROFIT BEFORE TAX	9	1,024	33	1,057	2,186	(54)	2,132
Taxation	11	(189)	(8)	(197)	(503)	21	(482)
PROFIT FOR THE YEAR		835	25	860	1,683	(33)	1,650
Other comprehensive income (expense) for the year:	45						
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				(13)			102
				(13)			102
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				105			(354)
— fair value change in cash flow hedge, net of tax				2			(33)
				107			(387)

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

For the year ended 31 December 2023

	Notes	2023 Results before biological fair value adjustments US$'million	2023 Biological fair value adjustments US$'million	2023 Total US$'million	2022 Results before biological fair value adjustments US$'million	2022 Biological fair value adjustments US$'million	2022 Total US$'million
Other comprehensive income (expense) for the year, net of tax				**94**			(285)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**954**			1,365
Profit for the year attributable to							
— owners of the Company				**629**			1,370
— non-controlling interests				**231**			280
				860			1,650
Total comprehensive income for the year attributable to							
— owners of the Company				**753**			1,161
— non-controlling interests				**201**			204
				954			1,365
EARNINGS PER SHARE	13						
— Basic (US cents)				**4.90**			10.68
— Diluted (US cents)				**4.90**			10.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 US$'million	2022 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,602**	6,536
Right-of-use assets	16(a)	**687**	749
Biological assets	17	**214**	201
Goodwill	18	**2,043**	1,992
Intangible assets	19	**1,707**	1,717
Interests in associates	20	**134**	126
Interests in joint ventures	21	**90**	126
Other receivables	24	**68**	78
Financial assets at fair value through profit or loss	25	**2**	11
Pledged bank deposits	27	**4**	5
Deferred tax assets	31	**86**	58
Other non-current assets		**228**	247
Total non-current assets		**11,865**	11,846
CURRENT ASSETS			
Properties under development	15	**77**	117
Biological assets	17	**1,149**	1,343
Inventories	22	**2,919**	2,855
Trade and bills receivables	23	**873**	1,087
Prepayments, other receivables and other assets	24	**503**	699
Debt investments at amortised cost	25	**469**	282
Financial assets at fair value through profit or loss	25	**86**	149
Tax recoverable		**7**	6
Pledged/restricted bank deposits	27	**75**	77
Cash and bank balances	27	**1,156**	1,394
Total current assets		**7,314**	8,009
CURRENT LIABILITIES			
Trade payables	28	**1,240**	1,395
Accrued expenses and other payables	29	**2,150**	2,513
Lease liabilities	16(b)	**99**	85
Taxation payable		**63**	130
Borrowings	30	**1,106**	862
Total current liabilities		**4,658**	4,985
NET CURRENT ASSETS		**2,656**	3,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,521**	14,870

Consolidated Statement of Financial Position (Continued)

31 December 2023

	Notes	**2023 US$'million**	2022 US$'million
NON-CURRENT LIABILITIES			
Other payables	29	**459**	408
Lease liabilities	16(b)	**391**	449
Borrowings	30	**2,122**	2,504
Deferred tax liabilities	31	**570**	697
Deferred revenue	32	**10**	38
Pension liability and other retirement benefits	33	**394**	362
Total non-current liabilities		**3,946**	4,458
NET ASSETS		**10,575**	10,412
CAPITAL AND RESERVES			
Share capital	36	**1**	1
Reserves		**9,830**	9,599
Equity attributable to owners of the Company		**9,831**	9,600
Non-controlling interests		**744**	812
TOTAL EQUITY		**10,575**	10,412

The consolidated financial statements on pages 65 to 182 were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 (c))	Other reserve US$'million (Note (d))	Statutory surplus reserve US$'million (Note (b))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total equity US$'million
At 1 January 2022	1	1,083	785	(11)	(272)	271	6,891	8,748	939	9,687
Profit for the year	—	—	—	—	—	—	1,370	1,370	280	1,650
Exchange differences arising on translation of foreign operations	—	—	—	(278)	—	—	—	(278)	(76)	(354)
Remeasurement on defined benefit pension plans	—	—	—	—	102	—	—	102	—	102
Fair value change in cash flow hedge	—	—	—	—	(33)	—	—	(33)	—	(33)
Total comprehensive income (expense) for the year	—	—	—	(278)	69	—	1,370	1,161	204	1,365
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	(4)	(4)
Deemed disposal of subsidiaries	—	—	2	—	—	—	—	2	(2)	—
Contribution from non-controlling interest	—	—	—	—	—	—	—	—	1	1
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(312)	(312)
Dividend (Note 12)	—	—	—	—	—	—	(311)	(311)	—	(311)
Lapse of share options	—	—	—	—	(1)	—	1	—	—	—
Transfer of contractual put option in relation to non-controlling interests (Note (e))	—	—	—	—	—	—	—	—	(14)	(14)
Transfer	—	—	(1)	—	2	3	(4)	—	—	—
	—	—	1	—	1	3	(314)	(309)	(331)	(640)
At 31 December 2022	1	1,083	786	(289)	(202)	274	7,947	9,600	812	10,412
At 1 January 2023	**1**	**1,083**	**786**	**(289)**	**(202)**	**274**	**7,947**	**9,600**	**812**	**10,412**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**629**	**629**	**231**	**860**
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**135**	**—**	**—**	**—**	**135**	**(30)**	**105**
Remeasurement on defined benefit pension plans	**—**	**—**	**—**	**—**	**(13)**	**—**	**—**	**(13)**	**—**	**(13)**
Fair value change in cash flow hedge	**—**	**—**	**—**	**—**	**2**	**—**	**—**	**2**	**—**	**2**
Total comprehensive income (expense) for the year	**—**	**—**	**—**	**135**	**(11)**	**—**	**629**	**753**	**201**	**954**
Capital contribution for share purchase in subsidiary	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**2**	**—**	**2**
Dividend (Note 12)	**—**	**—**	**—**	**—**	**—**	**—**	**(490)**	**(490)**	**—**	**(490)**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(266)**	**(266)**
Lapse of share options	**—**	**—**	**—**	**—**	**(5)**	**—**	**5**	**—**	**—**	**—**
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))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**	**(2)**
Transfer	**—**	**—**	**—**	**—**	**3**	**2**	**(4)**	**1**	**(1)**	**—**
	—	**—**	**(33)**	**—**	**(2)**	**2**	**(489)**	**(522)**	**(269)**	**(791)**
At 31 December 2023	**1**	**1,083**	**753**	**(154)**	**(215)**	**276**	**8,087**	**9,831**	**744**	**10,575**

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. 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 years' 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.

c. Translation reserve

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

d. Other reserve

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

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

As at 31 December 2023 and 31 December 2022, the Group held contractual put options in relation to non-controlling interest ("**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 consolidated statement of financial position as at 31 December 2023 and 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 US$'million	2022 US$'million
OPERATING ACTIVITIES		
Profit before tax	**1,057**	2,132
Adjustments for:		
Interest income	**(49)**	(37)
Finance costs	**169**	169
Share of (profits) losses of associates	**4**	(8)
Share of losses of joint ventures	**34**	4
Depreciation of property, plant and equipment	**652**	660
Depreciation of right-of-use assets	**116**	131
Gain on disposal of property, plant and equipment	**(82)**	(17)
Amortisation of intangible assets	**11**	9
Amortisation of other non-current assets	**—**	2
Fair value gain on financial assets at fair value through profit or loss	**(11)**	(8)
Inventories provisions, net	**101**	62
Loss arising from changes in fair value less costs to sell of biological assets	**190**	223
Impairment loss on property, plant and equipment	**8**	1
Recognition (reversal) of impairment loss on trade receivables, net	**4**	(2)
Impairment loss on investment in joint venture	**—**	24
Gain on disposal of assets of a subsidiary	**—**	(414)
Net gain on disposal/deemed disposal in investment in joint ventures	**—**	(40)
(Gain) loss on non-qualified retirement plan assets	**(15)**	26
Net gain on disposal of other assets	**(1)**	—
	2,188	2,917
(Increase) decrease in biological assets	**47**	(303)
Increase in inventories	**(158)**	(452)
(Increase) decrease in trade, bills and other receivables	**295**	(140)
Decrease in properties under development	**38**	21
Increase (decrease) in trade and other payables	**(379)**	209
CASH GENERATED FROM OPERATIONS	**2,031**	2,252
Taxation paid	**(414)**	(449)
Net cash flows from operating activities	**1,617**	1,803

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	2023 US$'million	2022 US$'million
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(800)**	(948)
Additions of right-of-use assets	**(12)**	(27)
Additions of intangible assets	**—**	(2)
Proceeds from disposal of financial assets at fair value through profit or loss and debt investments at amortised cost	**2,845**	1,174
Purchase of financial assets at fair value through profit or loss and debt investments at amortised cost	**(2,952)**	(1,186)
Placement of pledged/restricted bank deposits	**(119)**	(123)
Withdrawal of pledged/restricted bank deposits	**119**	87
Proceeds from disposal of property, plant and equipment	**224**	35
Interest received	**45**	35
Dividends received from associates	**4**	6
Dividends received from joint ventures	**10**	—
Net cash outflow on acquisition of subsidiaries	**(32)**	(9)
Receipt of repayment of loans	**2**	—
Insurance claims on property, plant and equipment	**18**	2
Net proceeds from disposal of and capital injection to joint ventures	**(8)**	4
Purchase of other non-current assets	**(5)**	(4)
Capital injection to associates	**(15)**	—
Proceeds from sales of other assets	**13**	606
Net cash flows used in investing activities	**(663)**	(350)
FINANCING ACTIVITIES		
Proceeds from borrowings, net of transaction costs	**11,552**	3,730
Repayment of borrowings	**(11,692)**	(4,335)
Dividend paid to non-controlling interests	**(269)**	(299)
Dividend paid to shareholders of the Company	**(490)**	(311)
Net cash outflow on deferred payment and acquisition of additional interests in subsidiaries	**(17)**	(59)
Proceeds paid to debt issuance	**(2)**	—
Lease payments	**(94)**	(118)
Interest paid	**(163)**	(151)
Contribution from non-controlling interest	**—**	1
Net cash flows used in financing activities	**(1,175)**	(1,542)

	2023 US$'million	2022 US$'million
Net decrease in cash and cash equivalents	(221)	(89)
Cash and cash equivalents at beginning of year	1,394	1,556
Effect of foreign exchange rate changes	(17)	(73)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,156	1,394
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,156	1,394

1. CORPORATE AND GROUP INFORMATION

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

The address of the registered office of the Company and the address of its principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

The Company acts as an investment holding company. The Group is primarily involved in the production and sale of packaged meats and pork. The principal activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement(s) with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in notes 2 and 3 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) Amendments to IAS 8 Definition of Accounting Estimates

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 31 to the consolidated financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules

Amendments to IAS 12 *Internal International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 11 to the consolidated financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but Not Yet Effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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 impacts 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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but Not Yet Effective International Financial Reporting Standards (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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interest in the acquiree over the identifiable assets acquired and the liabilities assumed. If the sum of the consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, biological assets, certain non-current receivables, and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

3. MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies: (Continued)

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Depending on the terms of the contract and the laws that apply to the contract, the control of the goods or services may be transferred over time or at a point in time.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of meat and related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the meat and related products.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts for the sale of meat and related products provide customers with a right of return and rebates which give rise to variable consideration subject to constraint.

Service income is recognised over time when services are rendered because the customer simultaneously receives and consumes the benefit provided by the Group.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, properties under development, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right of use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets as follows:

Leasehold land	more than 1 year to 50 years
Buildings	more than 1 year to 50 years
Motor vehicles	more than 1 year to 8 years
Plant, machinery and equipment	more than 1 year to 13 years
Contract farms	more than 1 year to 12 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relates to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group ‘s policy for “Properties under development”.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group 's lease liabilities are separately disclosed in the consolidated statement of financial position.

(c) Short-term leases

The Group applies short-term lease recognition exemption to its short-term leases of buildings, plant, machinery and equipment, motor vehicles and contract farms (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	0 to 40 years
Motor vehicles	5 to 10 years
Plant, machinery and equipment	5 to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost, less any recognised impairment loss, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Biological assets

Biological assets represent live hogs and poultry, which fall into five categories: suckling hogs, nursery hogs, finisher hogs, broilers and breeding stock (hogs and poultry). They are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce (i.e., carcass) harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories* upon initial recognition. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less accumulated impairment losses.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete and its ability and intention to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Cost is calculated using the weighted-average method.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognised immediately in profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVOCI**"), and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group's financial assets at amortised cost includes trade, bills and other receivables, pledged/restricted bank deposits and cash and bank balances are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVPL

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative and unquoted equity instruments which the Group had not irrevocably elected to classify at FVOCI. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including borrowings, bank overdrafts, and trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense during the year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of a hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is recognised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in other reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ''Other gains and (losses)" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment arrangements

Awarded shares/share options granted to employees

For grants of shares/share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares/share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve). For grants of shares/share options that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of shares/share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised, the amount previously recognised in other reserve will be transferred to shares/share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will be transferred to retained profits.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the foreign currencies denominated assets and liabilities of the Group are translated into the presentation currency of the Group (US$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the exchange rates that approximate to those prevailing at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve (attributed to non-controlling interest as appropriate).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the loan period by annual instalments.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefit expense. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plans.

The employees of the Group in China and Hong Kong are members of state-managed retirement benefit schemes and members of the Mandatory Provident Fund Scheme ("**MPF**") respectively, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes and MPF are recognised as an expense when employees have rendered services entitling them to the contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Put option over non-controlling interests

A put option held by NCI, whereby the holder of the put option can require the Group to acquire the NCI's shareholding in the subsidiary at a future date, the Group examines the nature of such a put option. The Group assesses whether or not the NCI continues to have a present ownership interest in the shares subject to the put option. Present ownership interest can be evidenced by NCI continuing to have a right to the receipt of dividends, or benefiting from increases in net assets while holding a voting entitlement to the shares subject to the put option. If it is deemed that the put option holders continue to have a present ownership interest, the Group applies the partial recognition of NCI method and recognise the amount that would have been recognised for the non-controlling interest, including its share of profit or losses, dividends and other changes, as a liability. The Group recognises a financial liability in accordance with IAS 32 being the estimate of the fair value of the consideration to acquire the NCI shares that are subject to the put option and records this in "other reserve" in equity. Any changes in the fair value of the financial liability are reflected as a movement in other reserve.

If the NCI put option is exercised, the same treatment is applied up to the date of exercise. The amount recognised as the financial liability at that date is extinguished by the payment of the exercise price.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurement of live hogs included in biological assets

The Group engaged an independent qualified valuer to perform the live hog valuations at the end of each reporting period, the fair values less costs to sell are determined based on the price of hogs in the actively traded market, reduced by the breeding costs required to raise the hogs to be slaughtered and the margins that would be required by a raiser and less costs to sell. This determination involved the use of significant judgements and estimates. If the actual results differ to the original estimates made by management, such differences from the original estimates will impact the fair value change recognised in profit or loss. The carrying amount of live hogs was US$1,111 million as at 31 December 2023 (2022: US$1,308 million) (see note 17).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of production and selling expenses.

The management of the Group periodically reviews inventories for slow-moving inventories, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories or the carrying amount, the Group will record a write-down of inventories for the difference between cost or carrying amount and net realisable value, which will result in a corresponding increase in cost of sales. The carrying amount of inventories was US$2,919 million as at 31 December 2023 (2022: US$2,855 million) (see note 22).

Valuation of the obligation in respect of defined benefit plans

In determining the obligation in respect of defined benefit plans, the Group has engaged an actuarial expert to perform the actuarial valuation of plan assets and the present value of the defined benefit obligations, and the key assumptions used including discount rate, expected salary increases and mortality rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds and government bonds yields of appropriate duration and currency at the end of the reporting period. The expected returns on plan assets are determined on the historical returns and asset allocations by considering the future market and economic conditions. The expected rate of salary increase is referenced by the salary scale projected by management and the mortality rates are referenced by demographic market data.

During the year ended 31 December 2023, remeasurement losses after tax amounting to US$13 million (2022: remeasurement gains after tax of US$102 million) were recognised directly in equity in the period in which they occurred. The Group's obligation in respect of net pension liability as at 31 December 2023 amounted to US$409 million (2022: US$376 million) (see note 33).

5. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2023 US$'million	2022 US$'million
Packaged meats	**13,523**	14,559
Pork	**10,810**	11,797
Others	**1,903**	1,780
	26,236	28,136

Over 99% (2022: over 99%) of the Group's revenue was recognised at a point in time.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Set out below is the amount of revenue recognised from:

	2023 US$'million	2022 US$'million
Amounts included in contract liabilities at the beginning of the year	536	523

The remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 31 December 2022 regarding the sale of meat and related products, sale of properties and service income are expected to be recognised as revenue within one year.

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 products and hog farming.

(iii) Others — represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, manufacturing of flavouring ingredients and natural casings, manufacture and sales of packaging materials, operating finance companies, property development companies, a chain of retail food stores, sales of biological pharmaceutical materials, trading of meat related products, and corporate expenses incurred by the Group.

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

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	For the year ended 31 December 2023			
	Packaged meats US$'million	Pork US$'million	Others US$'million	Total US$'million
China				
Gross segment revenue	3,698	4,466	1,707	9,871
Less: Inter-segment revenue	(1)	(654)	(468)	(1,123)
Revenue	3,697	3,812	1,239	8,748
Reportable segment profit	879	54	15	948
U.S. and Mexico				
Gross segment revenue	8,280	8,934	37	17,251
Less: Inter-segment revenue	(1)	(3,074)	(1)	(3,076)
Revenue	8,279	5,860	36	14,175
Reportable segment profit (loss)	1,072	(624)	(118)	330
Europe				
Gross segment revenue	1,595	1,720	788	4,103
Less: Inter-segment revenue	(48)	(582)	(160)	(790)
Revenue	1,547	1,138	628	3,313
Reportable segment profit	99	90	4	193
Total				
Gross segment revenue	13,573	15,120	2,532	31,225
Less: Inter-segment revenue	(50)	(4,310)	(629)	(4,989)
Revenue	13,523	10,810	1,903	26,236
Reportable segment profit (loss)	2,050	(480)	(99)	1,471
Net unallocated expenses				(240)
Biological fair value adjustments				33
Finance costs				(169)
Share of losses of associates				(4)
Share of losses of joint ventures				(34)
Profit before tax				1,057

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

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.

Information about the Group's non-current assets, excluding financial instruments and deferred tax assets, is presented below based on the geographical locations of operation.

	2023 **US$'million**	2022 US$'million
Non-current assets		
China	**3,458**	3,541
U.S. and Mexico	**6,789**	6,866
Europe	**1,296**	1,098
	11,543	11,505

6. OTHER INCOME

	2023 **US$'million**	2022 US$'million
Government subsidy	**43**	47
Bank interest income	**49**	37
Income on sales of raw materials	**8**	11
Others	**38**	32
	138	127

7. OTHER GAINS AND (LOSSES)

	Note	2023 US$'million	2022 US$'million
Gain (loss) on non-qualified retirement plan assets		**15**	(26)
Fair value gain on financial assets at fair value through profit and loss		**11**	8
Gain on disposal of property, plant and equipment		**82**	17
Impairment loss on property, plant and equipment		**(8)**	(1)
Impairment loss on investment in a joint venture		**—**	(24)
Net exchange losses		**(9)**	(12)
Net gain on disposal/deemed disposal of investments in joint ventures		**—**	40
Gain on insurance recovery		**9**	7
Gain on disposal of assets of a subsidiary	34	**—**	414
Accelerated depreciation and amortisation		**(75)**	(97)
Others		**(33)**	(48)
		(8)	278

8. FINANCE COSTS

	2023 US$'million	2022 US$'million
Interest on senior unsecured notes	**(78)**	(78)
Interest on bank and other loans	**(69)**	(65)
Interest on lease liabilities	**(21)**	(23)
Amortisation of transaction costs	**(4)**	(4)
Less: Amounts capitalised in the cost of qualifying assets	**3**	1
	(169)	(169)

9. PROFIT BEFORE TAX

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

	Notes	2023 US$'million	2022 US$'million
Auditor's remuneration			
Audit services		6	5
Non-audit services		1	1
Depreciation of property, plant and equipment	14	652	660
Depreciation of right-of-use assets	16	116	131
Amortisation of intangible assets included in administrative expenses	19	11	9
Amortisation of other non-current assets		—	2
Inventories provisions, net, included in cost of sales		101	62
Recognition (reversal) of impairment loss on trade receivables, net, included in administrative expenses	23	4	(2)
Lease payments not included in the measurement of lease liabilities		171	132
Research and development expenses		204	182
Staff costs (excluding directors' remuneration)		4,101	4,050
Legal contingencies		153	20

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance, is as follows:

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Share-based payments US$'million	Termination benefits US$'million	Retirement benefit scheme contributions US$'million	2023 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	—	1	—	—	—	—	1
Mr. Guo Lijun	—	1	—	—	—	—*	1
Mr. Wan Hongwei	—	1	—	—	—	—*	1
Mr. Charles Shane Smith	—	2	2	—	—	1	5
Mr. Ma Xiangjie	—	1	—	—	—	—*	1
	—	6	2	—	—	1	9
The executive directors' emoluments shown above were paid and payable for their services for the year ended 31 December 2023 in connection with the management of the affairs of the Company and the Group.							
B) NON-EXECUTIVE DIRECTOR							
Mr. Jiao Shuge	—	—	—	—	—	—	—
No emoluments was paid to the non-executive director shown above for his service as director of the Company or its subsidiaries.							
C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Huang Ming	—*	—	—	—	—	—	—*
Mr. Lau, Jin Tin Don	—*	—	—	—	—	—	—*
Ms. Zhou Hui	—*	—	—	—	—	—	—*
	—*	—	—	—	—	—	—*
The independent non-executive directors' emoluments shown above were paid and payable for their services for the year ended 31 December 2023 as directors of the Company.							
Total for the year ended 31 December 2023							9

Notes:

(i) Performance related incentive payments are recommended by the remuneration committee of the Company and are approved by the board of directors, with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) No director nor the Chief Executive Officer waived any emoluments in respect of the year ended 31 December 2023.

* Less than US$1 million

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Share-based payments US$'million	Termination benefits US$'million	Retirement benefit scheme contributions US$'million	2022 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	—	1	—	—	—	—	1
Mr. Guo Lijun	—	1	—	—	—	—*	1
Mr. Wan Hongwei	—	1	—	—	—	—*	1
Mr. Charles Shane Smith	—	2	4	—	—	—*	6
Mr. Ma Xiangjie	—	1	—*	—	—	—*	1
	—	6	4	—	—	—*	10
The executive directors' emoluments shown above were paid and payable for their services for the year ended 31 December 2022 in connection with the management of the affairs of the Company and the Group.							
B) NON-EXECUTIVE DIRECTOR							
Mr. Jiao Shuge	—	—	—	—	—	—	—
No emoluments was paid to the non-executive director shown above for his service as director of the Company or its subsidiaries.							
C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Huang Ming	—*	—	—	—	—	—	—*
Mr. Lee Conway Kong Wai (Note (iii))	—*	—	—	—	—	—	—*
Mr. Lau, Jin Tin Don	—*	—	—	—	—	—	—*
Ms. Zhou Hui (Note (iv))	—*	—	—	—	—	—	—*
	—*	—	—	—	—	—	—*
The independent non-executive directors' emoluments shown above were paid and payable for their services for the year ended 31 December 2022 as directors of the Company.							
Total for the year ended 31 December 2022							10

Notes:

(i) Performance related incentive payments were recommended by the remuneration committee of the Company and were approved by the board of directors, with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) No director nor the Chief Executive Officer waived any emoluments in respect of the year ended 31 December 2022.

(iii) Mr. Lee Conway Kong Wai resigned as an independent non-executive director on 1 June 2022.

(iv) Ms. Zhou Hui was appointed as an independent non-executive director on 1 June 2022.

* Less than US$1 million.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals for the year ended 31 December 2023 included one director of the Company (2022: one), details of whose emoluments are set out above. The emoluments of the remaining four (2022: four) non-director highest paid individuals during the year were as follows:

	2023 US$'million	2022 US$'million
Employees		
Basic salaries and allowances	4	3
Performance bonus	12	19
Retirement benefit scheme contributions	2	2
Termination benefit	—	7
	18	31

The remaining non-director highest paid individuals were within the following bands:

	Number of employees 2023	2022
HK$26,000,001 to HK$26,500,000	1	—
HK$33,500,001 to HK$34,000,000	1	—
HK$41,500,001 to HK$42,000,000	1	—
HK$42,000,001 to HK$42,500,000	—	1
HK$44,000,001 to HK$44,500,000	1	—
HK$46,000,001 to HK$46,500,000	—	1
HK$47,000,001 to HK$47,500,000	—	1
HK$114,500,001 to HK$115,000,000	—	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

There are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

11. TAXATION

	2023 US$'million	2022 US$'million
China income tax	(220)	(241)
U.S. income tax	(33)	(205)
Europe income taxes	(24)	(23)
Other income taxes	—*	—*
Withholding tax	(39)	(57)
Deferred taxation	119	44
	(197)	(482)

Under the China law on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the China subsidiaries is 25% except for the following:

(i) According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in primary processing for agricultural products is exempted from EIT.

(ii) Pursuant to the related regulations in respect of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in projects of animal-husbandry and poultry feeding was entitled to exemption from EIT during both years.

(iii) Pursuant to the related regulations in respect of the Notice of Extension of Income Tax Policy for Enterprise Involved in Western China Development issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission (Notice of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission (2020) No.23), various China subsidiaries of the Company were entitled to a preferential income tax rate of 15% during both years.

(iv) According to the Implementation Regulation of the EIT Law and the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han [2009] No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Various China subsidiaries of the Company are classified as high-and-new-tech enterprises and were entitled to enjoy a preferential income tax rate of 15% during both years.

* Less than US$1 million.

11. TAXATION (Continued)

According to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividends distributed to foreign investors out of the profits generated by China subsidiaries are subject to EIT at 10% or a reduced tax rate if a tax treaty or arrangement applies. Under the relevant tax arrangement, the withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liabilities on the undistributed profits earned by the China subsidiaries have been accrued at the tax rate of 5% for the years ended 31 December 2023 and 31 December 2022.

The U.S. federal tax rate is 21% for the years ended 31 December 2023 and 31 December 2022.

For the year ended 31 December 2023, the Group's businesses in Europe were subject to the local corporate income taxes at rates ranging from 9% to 21% (2022: 9% to 21%).

Other overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

As stated in note 2.2(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group has performed an assessment of its exposure to Pillar Two income taxes based on the information available regarding the Group's financial performance in the current year. As such, the information used may not be entirely representative of the actual circumstances in 2024. Based on the assessment, the Group has identified potential exposure from the subsidiaries in respect of profits earned in Romania where the average effective tax rate is 13% due to certain income exclusions and incentives received by them. Such profits earned by the subsidiaries in Romania accounted for approximately 5% of the Group's profit before tax for the year ended 31 December 2023. However, although the average effective tax rate is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to Romania. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with IAS 12.

11. TAXATION (Continued)

The taxation charge for both years is reconciled to the profit before tax as follows:

	2023 US$'million	2023 %	2022 US$'million	2022 %
Profit before tax	**1,057**		2,132	
Tax at the applicable rates (Note)	**(271)**	**(25.6)**	(492)	(23.1)
Tax effect of share of profits (losses) of associates and joint ventures	**11**	**1.0**	3	0.1
Tax effect of income that is not taxable in determining current year taxable profit	**7**	**0.7**	5	0.2
Tax effect of expenses that are not deductible in determining current year taxable profit	**(14)**	**(1.3)**	(46)	(2.2)
Tax effect of tax losses not recognised	**(36)**	**(3.4)**	(5)	(0.2)
Utilisation of tax losses previously not recognised	**—***	**—**	—*	—
Effect of tax exemptions and preferential tax rates granted to China subsidiaries	**52**	**4.9**	52	2.4
Effect of tax exemptions and preferential tax rates granted to U.S. and Europe subsidiaries	**30**	**2.8**	18	0.8
Withholding tax on undistributed earnings of subsidiaries	**(21)**	**(2.0)**	(49)	(2.3)
Recognition of deferred tax arising from tax losses previously not recognised	**—***	**—**	—	—
Overprovision in prior years	**(1)**	**(0.1)**	—*	—
Tax effect of tax losses recognised on intra-group transactions	**46**	**4.4**	32	1.5
Tax charge and effective tax rate for the year	**(197)**	**(18.6)**	(482)	(22.6)

Note: As the Group's revenue is generated in several jurisdictions, the directors of the Company consider that it is more meaningful to aggregate the separate reconciliations prepared using the domestic rate in each individual jurisdiction.

Details of recognised and unprovided deferred taxation are set out in note 31 to the consolidated financial statements.

* Less than US$1 million.

12. DIVIDENDS

	2023 US$'million	2022 US$'million
Dividend recognised as distribution during the year:		
2022 final dividend of HK25.0 cents per share (2021: HK14.0 cents)	409	229
2023 interim dividend of HK5 cents per share (2022: HK5 cents)	81	82
	490	311

The final dividend of HK25.0 cents per share in respect of the year ended 31 December 2023 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

13. 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:

	2023 US$'million	2022 US$'million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	629	1,370
	million shares	million shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basis and diluted earnings per share (Note)	12,830	12,830

Note: Diluted earnings per share for the years ended 31 December 2023 and 31 December 2022 were the same as the basic earnings per share as there were no potentially dilutive ordinary share in existence during the years.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
Cost:						
At 1 January 2022	616	3,356	161	5,124	720	9,977
Currency realignment	15	(170)	(5)	(173)	(42)	(375)
Additions	—	1	14	44	1,207	1,266
Acquisition of subsidiaries	—	4	—	—	—	4
Transfer	2	537	17	562	(1,118)	—
Transfer to held for sale asset (Note 24)	(63)	(70)	—	(4)	—	(137)
Disposal	(2)	(35)	(10)	(102)	(2)	(151)
At 31 December 2022 and 1 January 2023	568	3,623	177	5,451	765	10,584
Currency realignment	14	10	7	30	1	62
Additions	—	—	3	21	631	655
Acquisition of subsidiaries (Note 34)	1	9	1	12	1	24
Transfer	2	438	19	487	(946)	—
Transfer to held for sale asset	—	(3)	—	—	—	(3)
Disposal	(1)	(8)	(9)	(122)	—	(140)
At 31 December 2023	584	4,069	198	5,879	452	11,182

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
Depreciation and impairment:						
At 1 January 2022	—	1,018	64	2,528	—	3,610
Currency realignment	—	(44)	(2)	(83)	—	(129)
Provided for the year	—	165	19	476	—	660
Impairment loss recognised in profit or loss	—	1	—	—	—	1
Transfer to held for sale asset (Note 24)	—	(16)	—	(2)	—	(18)
Disposal	—	(9)	(6)	(61)	—	(76)
At 31 December 2022 and 1 January 2023	—	1,115	75	2,858	—	4,048
Currency realignment	—	(1)	3	(9)	—	(7)
Provided for the year	—	175	22	455	—	652
Impairment loss recognised in profit or loss	—	5	—	3	—	8
Transfer to held for sale asset	—	(2)	—	(1)	—	(3)
Disposal	—	(5)	(8)	(105)	—	(118)
At 31 December 2023	—	1,287	92	3,201	—	4,580
Carrying values:						
At 31 December 2023	584	2,782	106	2,678	452	6,602
At 31 December 2022	568	2,508	102	2,593	765	6,536

Certain of the Group's buildings of US$1,480 million as at 31 December 2023 (2022: US$1,280 million) are erected on land held in China while the rest are erected on freehold land situated in the U.S. and Europe.

As at 31 December 2023, the application for obtaining the ownership certificates of buildings in China with an aggregate carrying value of approximately US$200 million (2022: US$200 million) was still in progress.

Property, plant and equipment with a carrying amount of approximately US$8 million (2022: US$1 million) have been fully impaired and recognised in profit or loss for the year ended 31 December 2023.

15. PROPERTIES UNDER DEVELOPMENT

Properties under development expected to be completed:

	2023 US$'million	2022 US$'million
Within the normal operating cycle included under current assets	77	117

Properties under development expected to be completed within the normal operating cycle and recovered:

	2023 US$'million	2022 US$'million
Within one year	33	36
After one year	44	81
	77	117

16. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings US$'million	Land US$'million	Plant, machinery and equipment US$'million	Motor vehicles US$'million	Contract farms US$'million	Total US$'million
At 1 January 2022	229	278	36	43	125	711
Currency realignment	—	(25)	(1)	—	—	(26)
Additions	127	35	21	21	20	224
Depreciation	(45)	(9)	(16)	(18)	(43)	(131)
Terminated	(19)	(3)	(1)	(5)	(1)	(29)
At 31 December 2022 and 1 January 2023	292	276	39	41	101	749
Currency realignment	1	(8)	—	—	—	(7)
Additions	10	13	15	19	8	65
Depreciation	(30)	(10)	(16)	(16)	(44)	(116)
Terminated	(1)	—	—	(1)	(4)	(6)
Remeasurement	—	—	—	2	—	2
At 31 December 2023	272	271	38	45	61	687

16. LEASES (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 US$'million	2022 US$'million
As at 1 January	**534**	487
New leases	**53**	213
Interest expenses	**21**	23
Payments	**(115)**	(141)
Terminated	**(6)**	(43)
Currency realignment	**3**	(5)
As at 31 December	**490**	534
Analysed for reporting purposes as:		
Current liabilities	**99**	85
Non-current liabilities	**391**	449
	490	534

The maturity analysis of lease liabilities is disclosed in note 37 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 US$'million	2022 US$'million
Interest on lease liabilities	**21**	23
Depreciation charge of right-of-use assets	**116**	131
Expenses relating to short-term leases	**141**	105
Variable lease payments not included in the measurement of lease liabilities	**30**	27
	308	286

(d) Extension and termination options

The Group has leases with remaining lease terms ranging from more than 1 year to 33 years. The leases containing extension and termination options are managed locally and vary in terms. The Group has included extension or termination options in the measurement of the lease obligations when it is reasonably certain to exercise the options.

16. LEASES (Continued)

(e) Variable lease payments

The Group has leases containing variable lease payment terms not depending on an index or rate for hog raising facilities, buildings, motor vehicles, machinery and equipment. Management is responsible for negotiating the lease terms and each term may vary depending on the underlying asset and reportable segment. Variable lease payment terms are based on a multiple of factors including the overall usage of the underlying asset, maintenance and repair services, property taxes and insurance.

The Group expects the overall financial impact for future years to be consistent with the variable lease payments that were incurred during the year ended 31 December 2023.

(f) The cash outflows for leases are disclosed in note 35 to the consolidated financial statements.

17. BIOLOGICAL ASSETS

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

	2023 Head 'million	2022 Head 'million
Live hogs		
— suckling	**2**	2
— nursery	**1**	2
— finishing	**8**	8
	11	12
Breeding stock (hogs)	**1**	1
	12	13
Broilers	**24**	17
Breeding stock (poultry)	**3**	2
	27	19

Hogs

In general, once a sow is inseminated, it will gestate for a period of 112 to 115 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, at approximately 1 to 8 kilograms, they are transferred to the "nursery".

17. BIOLOGICAL ASSETS (Continued)

Hogs (Continued)

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed with a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately 6 weeks where they will grow to approximately 7 to 45 kilograms and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 13 to 19 weeks. During that time, they will grow to approximately 23 to 132 kilograms and be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

Poultry

In general, once a pullet lays eggs, the eggs will be sent to the hatchery and it will take approximately 21 days to be hatched. The hatched chicks are then sent to the broiler farm.

The chicks are fed with a series of specially formulated diets to meet their nutrition needs. The chicks will stay in the broiler farm for approximately 38 to 42 days where they will grow to approximately 2 kilograms and then be considered as a broiler with market value.

Once the broiler reaches the market weight, they are loaded onto specially designed trucks for transport to the processing facility.

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

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

17. BIOLOGICAL ASSETS (Continued)

Carrying value of the Group's biological assets

	Live hogs		Breeding stock (hogs)		Broilers		Breeding stock (poultry)		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	US$'million	US$'million	**US$'million**	US$'million	**US$'million**	US$'million	**US$'million**	US$'million	**US$'million**	US$'million
Carrying value at 1 January	**1,308**	1,243	**193**	161	**35**	20	**8**	7	**1,544**	1,431
Currency realignment	**29**	(5)	**4**	(1)	**—**	(4)	**—**	(1)	**33**	(11)
Breeding costs	**9,398**	9,981	**188**	199	**713**	466	**54**	35	**10,353**	10,681
Gain (loss) arising from changes in fair value less costs to sell of biological assets	**(169)**	(136)	**(53)**	(64)	**14**	(4)	**18**	(19)	**(190)**	(223)
Transfer to inventories at the point of harvest	**(9,124)**	(9,415)	**(86)**	(60)	**(668)**	(443)	**(10)**	7	**(9,888)**	(9,911)
Decrease due to culling	**(331)**	(360)	**(60)**	(42)	**(56)**	—	**(42)**	(21)	**(489)**	(423)
Carrying value at 31 December	**1,111**	1,308	**186**	193	**38**	35	**28**	8	**1,363**	1,544

Analysed for reporting purposes as:

	2023 **US$'million**	2022 US$'million
Current assets	**1,149**	1,343
Non-current assets	**214**	201
	1,363	1,544

Fair value measurement — Level 3

	2023 **US$'million**	2022 US$'million
Biological assets		
Live hogs	**1,111**	1,308
Breeding stock (hogs)	**186**	193
Broilers	**38**	35
Breeding stock (poultry)	**28**	8
	1,363	1,544

The fair values 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.

17. BIOLOGICAL ASSETS (Continued)

Fair value measurement — Level 3 (Continued)

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 (2022: the fair value of breeding stock (poultry) is determined based on the average of the historical selling price of poultry of similar breed and genetic merit less costs to sell). 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.

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 both years. The Group's biological assets were valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") situated at 7/F, One Taikoo Place, 979 King's Road, Hong Kong.

Set forth below are the key assumptions and inputs adopted in the valuation process of biological assets:

	2023 **RMB**	2022 RMB
China		
Breeding stock (hogs)		
Per head market price(1)	**3,222**	2,594
Suckling hogs		
Per head cost(2)	**627**	484
Finishing hogs		
Per head market price(3)	**950**	1,268
Per head weekly average breeding costs required to raise to finishing hogs(5)	**111**	109
Breeding stock (poultry)		
Per head cost(4)	**108**	N/A
Per head market price(1)	**25**	25
Culling rate	**0.00%–14.54%**	N/A
Broilers		
Per head market price(3)	**17**	16
Per head average breeding costs required to raise to broilers(5)	**22**	23

17. BIOLOGICAL ASSETS (Continued)

Fair value measurement — Level 3 (Continued)

	2023 US$	2022 US$
U.S.		
Breeding stock — Sow (hogs)		
Per head market price(1)	181	164
Breeding stock — Boar (hogs)		
Per head market price(1)	69	62
Suckling hogs		
Per head cost(2)	41	39
Finishing hogs		
Per head market price(3)	155	198
Per head weekly average breeding costs required to raise to finishing hogs(5)	3.6	4.3

	2023 US$	2022 US$
Europe		
Breeding stock — Sow (hogs)		
Per head market price(1)	171	141
Breeding stock — Boar (hogs)		
Per head market price(1)	138	103
Suckling hogs		
Per head cost(2)	36	34
Finishing hogs		
Per head market price(3)	212	206
Per head weekly average breeding costs required to raise to finishing hogs(5)	3.5	3.6

17. BIOLOGICAL ASSETS (Continued)

Fair value measurement — Level 3 (Continued)

Notes:

1.	Market prices of breeding stock	Breeding stock is assumed to be sellable to the market as at the corresponding stock valuation date. The prices adopted refer to the average historical selling prices transacted to local slaughter house. As the Group never sells its breeding stock before the end of its useful life, no historical actual sales figures are available.
2.	Costs of suckling hogs	As there is insignificant biological transformation that takes place between the birth of these animals until they become finishing hogs, the cost approach was adopted. As the suckling hogs are only 4 weeks old at most, the recent cost incurred approximates the replacement cost.
3.	Market prices of finishing hogs/broilers	The adopted selling prices of finishing hogs/broilers (which are finishing hogs/broilers that are old enough to be sold to the market) are determined using their market price at the actively traded local spot and/or future market as reference. The prices used in the valuation are in line with the actual prices recorded.
4.	Costs of breeding stock (poultry)	The replacement cost is the price of the chicken breeds plus the cost of each breeder to the breeding period. The breeding period of poultry is 25 weeks, and the production period range from 25 weeks to 64 weeks.
5.	Costs required to complete	The costs to complete used as an assumption in valuation are based on the historical average feeding cost, medication and vaccination, grower payment, production housing, production overhead, the freight-to-slaughter and selling costs that would be incurred for sales. The estimated profits that would be required by a raiser are also applied in the valuation.

18. GOODWILL

	2023 US$'million	2022 US$'million
Cost:		
At 1 January	1,992	2,070
Acquisition of subsidiaries (Note 34)	27	—
Disposal of assets (Note 34)	—	(47)
Currency realignment	24	(31)
At 31 December	2,043	1,992
Accumulated impairment losses:		
At 1 January and 31 December	—	—
Carrying value:		
At 31 December	2,043	1,992

18. GOODWILL (Continued)

Impairment testing on goodwill

Based on the Group's business units, goodwill has been allocated for impairment testing purposes to the following CGUs:

- Pork
- Packaged meats

The carrying amount of goodwill allocated to the CGUs is as follows:

	2023 US$'million	2022 US$'million
Allocated to		
Pork — China	47	48
Packaged meats — China	133	138
Pork — U.S. and Mexico	123	113
Packaged meats — U.S.	1,489	1,489
Pork and packaged meats — Europe	251	204
	2,043	1,992

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amounts of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by the value in use method using cash flow projections performed by the management for both years ended 31 December 2023 and 31 December 2022.

For the purpose of impairment testing, the Group prepares cash flow projections and the recoverable amounts of these CGUs are calculated by using pre-tax cash flow projections based on a 3-year/5-year financial budget approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projections of pork in China/the U.S. and Mexico covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S. and Mexico	
	2023 %	2022 %	2023 %	2022 %
Revenue growth rate (Note i)	5.6–28.5	14.4–28.3	(8.2)–9.8	(12.3)–10.4
Long-term growth rate (Note ii)	2	2	2–3	2–3
Discount rate (Note iii)	9.5	12	9–12	7–10

18. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

Key assumptions used in the cash flow projections of packaged meats in China/the U.S. covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S.	
	2023	2022	**2023**	2022
	%	%	**%**	%
Revenue growth rate (Note i)	**8.7–13.1**	8.7–13.9	**3.0**	3.0
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**9.5**	12	**9**	7

Key assumptions used in the cash flow projections of pork and packaged meats in Europe covering a 5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	2023	2022
	%	**%**
Revenue growth rate (Note i)	**3.0**	3.0
Long-term growth rate (Note ii)	**4**	4
Discount rate (Note iii)	**10**	8

Notes:

i. Management determined the revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is the pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the CGUs.

No impairment loss is recognised at the end of both years based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount of the CGUs.

19. INTANGIBLE ASSETS

	Trademarks US$'million	Distribution network US$'million	Patents US$'million	Customer relations US$'million	Contract farm relations US$'million	Rights and permits US$'million	Total US$'million
Cost:							
At 1 January 2022	1,694	5	1	87	40	6	1,833
Currency realignment	(33)	—	—	—*	—	—	(33)
Additions	2	—	—	—	—	—	2
At 31 December 2022 and 1 January 2023	1,663	5	1	87	40	6	1,802
Currency realignment	1	—	—	—	—	—	1
At 31 December 2023	1,664	5	1	87	40	6	1,803
Amortisation and impairment:							
At 1 January 2022	13	—	1	43	17	2	76
Currency realignment	—*	—	—	—*	—	—*	—*
Amortisation provided for the year	2	—	—	5	2	—	9
At 31 December 2022 and 1 January 2023	15	—	1	48	19	2	85
Currency realignment	—	—	—	—*	—	—	—*
Amortisation provided for the year	4	—	—	5	2	—	11
At 31 December 2023	19	—	1	53	21	2	96
Carrying values:							
At 31 December 2023	1,645	5	—	34	19	4	1,707
At 31 December 2022	1,648	5	—	39	21	4	1,717

Customer relations, contract farm relations and rights and permits are amortised over their estimated useful lives of 5 to 25 years.

Trademarks, distribution network and patents acquired in the business combinations are identified and recognised as intangible assets with indefinite useful lives and carried at historical cost without amortisation for the following reasons:

— they are capable of being renewed indefinitely at insignificant cost; and

— there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

* Less than US$1 million.

19. INTANGIBLE ASSETS (Continued)

Impairment testing on intangible assets

Based on the Group's business units, trademarks and distribution network have been allocated for impairment testing purposes to the following CGUs:

- Pork
- Packaged meats

The carrying amounts of trademarks and distribution network were allocated to CGUs as follows:

	2023 US$'million	2022 US$'million
Allocated to		
Pork — China	47	48
Packaged meats — China	275	284
Pork — U.S. and Mexico	235	235
Packaged meats — U.S.	981	981
Pork and packaged meats — Europe	112	105
	1,650	1,653

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amounts of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by the value in use method using cash flow projections by management for the years ended 31 December 2023 and 31 December 2022.

For the purpose of impairment testing, the Group prepares cash flow projections based on a 3-year/5-year financial budgets approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projections of trademarks and distribution network of pork covering a 3-year/5-year budget period and extrapolated cash flows beyond the budget period are as follows:

	China		U.S. and Mexico	
	2023 %	2022 %	2023 %	2022 %
Revenue growth rate (Note i)	5.6–28.5	14.4–28.3	2.0	2.0
Long-term growth rate (Note ii)	2	2	2	2
Discount rate (Note iii)	15	15	9	7

19. INTANGIBLE ASSETS (Continued)

Impairment testing on intangible assets (Continued)

Key assumptions used in the cash flow projections of trademarks and distribution network of packaged meats covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2023	2022	**2023**	2022
	%	%	**%**	%
Revenue growth rate (Note i)	**8.7–13.1**	8.7–13.9	**3.0**	0.0–3.0
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**15**	15	**9**	7

Key assumptions used in the cash flow projections of trademarks and distribution network of pork and packaged meats in Europe covering a 5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	2023	2022
	%	%
Revenue growth rate (Note i)	**3.0**	0.0–3.5
Long-term growth rate (Note ii)	**3**	3
Discount rate (Note iii)	**10**	8

Notes:

i. Management determined the revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is the pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the trademarks and distribution network.

The Group has not recognised any impairment loss in respect of trademarks and distribution network for the year ended 31 December 2023 (2022: Nil) based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the trademarks and distribution network to exceed the aggregate recoverable amount of these assets.

20. INTERESTS IN ASSOCIATES

	2023 US$'million	2022 US$'million
Share of net assets	**134**	126

All the Group's associates are not considered as individually material as at 31 December 2023 and 31 December 2022. The aggregate amounts of its share of these associates are set out in the consolidated financial statements.

Aggregate information of associates that are not individually material is set out below:

	2023 US$'million	2022 US$'million
The Group's share of profits (losses) and total comprehensive income for the year	**(4)**	8
Dividends received during the year	**4**	6

21. INTERESTS IN JOINT VENTURES

	2023 US$'million	2022 US$'million
Share of net assets	**90**	126

All the Group's joint ventures are not considered as individually material as at 31 December 2023 and 31 December 2022. The aggregate amounts of its share of these joint ventures are set out in the consolidated financial statements.

Aggregate information of joint ventures that are not individually material is set out below:

	2023 US$'million	2022 US$'million
The Group's share of losses and total comprehensive expense for the year	**(34)**	(4)
Dividends received during the year	**10**	—

22. INVENTORIES

	2023 US$'million	2022 US$'million
Raw materials	1,425	1,286
Work in progress	172	152
Finished goods	1,322	1,417
	2,919	2,855

23. TRADE AND BILLS RECEIVABLES

	2023 US$'million	2022 US$'million
Trade receivables	887	1,090
Impairment	(16)	(11)
	871	1,079
Bills receivable	2	8
	873	1,087

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

	2023 US$'million	2022 US$'million
Current to 30 days	784	989
31 to 90 days	88	96
91 to 180 days	1	2
Over 180 days	—*	—*
	873	1,087

* Less than US$1 million.

23. TRADE AND BILLS RECEIVABLES (Continued)

Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

In determining the recoverability of the trade receivables, the Group monitors the change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the concentration of credit risk is limited due to a large and unrelated customer base of the Group.

No interest is charged on trade receivables. Loss allowances are made based on the estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flows discounted at the original effective interest rate.

As at 31 December 2023, trade receivables of US$370 million (2022: US$574 million) were pledged as security for certain credit facilities of the Group (Note 40).

Movement in loss allowance for impairment of trade receivables:

	2023 US$'million	2022 US$'million
At 1 January	**(11)**	(14)
Reversal (recognition) of impairment losses, net	**(4)**	2
Currency realignment	**(1)**	1
At 31 December	**(16)**	(11)

Impairment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

23. TRADE AND BILLS RECEIVABLES (Continued)

Impairment (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2023

	Current to 90 days past due	91–180 days past due	More than 180 days past due	Total
Expected loss rate	0.42%	93.75%	95.53%	1.70%
Gross carrying amount (US$'million)	875	8	4	887
Loss allowance provision (US$'million)	4	8	4	16

31 December 2022

	Current to 90 days past due	91–180 days past due	More than 180 days past due	Total
Expected loss rate	0.02%	87.98%	94.83%	0.99%
Gross carrying amount (US$'million)	1,079	6	5	1,090
Loss allowance provision (US$'million)	—*	6	5	11

* Less than US$1 million.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 US$'million	2022 US$'million
Prepayments	108	89
Loans receivables	45	44
Deposits paid to suppliers	55	59
Receivables from financial institutions	14	14
Deposits placed with financial institution	—	37
Derivative financial instruments (Note 26)	63	74
Value-added tax recoverable	116	123
Asset held for sale (Note a)	—	119
Others	170	218
	571	777
Analysed for reporting purposes as:		
Current assets	503	699
Non-current assets	68	78
	571	777

Note a:

On 25 May 2022, the Group made the decision to dispose of the harvest and processing facility in Vernon, California in the U.S. held by Clougherty Packing, LLC, a wholly owned subsidiary of the Group. The carrying amount of property, plant and equipment, together with associated liabilities, of the facility of US$119 million were classified as assets held for sale and included in the current portion of "prepayment, other receivables and other assets", and the associated exit cost liability of US$33 million were included in current portion of "accrued expenses and other payables" as at 31 December 2022. The facility was sold to a third party on 20 June 2023.

Various exit costs and disposal charges, such as accelerated depreciation and employee termination benefits of US$54 million in relation to this disposal decision were recognised in profit or loss during the year ended 31 December 2023 (2022: US$151 million).

25. DEBT INVESTMENTS AT AMORTISED COST AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 US$'million	2022 US$'million
Debt investments at amortised cost — current assets	469	282
Financial assets at fair value through profit or loss		
Unlisted investments:		
Financial products	77	149
Equity investments	2	11
	79	160
Listed investments:		
Equity investments	9	—
	88	160
Analysed for reporting purposes as:		
Current assets	86	149
Non-current assets	2	11
	88	160

The investments classified as current at 31 December 2023 and 31 December 2022 are mainly wealth management products issued by banks and financial institutions in China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The non-current equity investments were measured at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	2023		2022	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Fair value hedges				
Grain contracts	1	—	—*	—*
Livestock contracts	—*	—	—*	—*
Cash flow hedges				
Foreign currency forward contracts	1	5	1	6
Grain contracts	2	1	12	4
Energy contracts	1	19	3	8
Livestock contracts	33	8	6	—*
	38	33	22	18

Fair value hedges

The Group entered into derivative instruments (primarily forward contracts) to minimise its exposure to fair value changes of its commitments to buy grains and livestock. The directors of the Company consider that those derivative instruments are highly effective hedging instruments. Major terms of the derivative instruments are set out below:

At 31 December 2023

Derivative instruments	Average notional volume	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts				
Grains				13
— Soybeans	45,000	Bushels	Up to November 2024	
— Corn	1,4440,000	Bushels	Up to January 2025	
Lean hogs	4,080,000	Pounds	Up to September 2024	4

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

Fair value hedges (Continued)

At 31 December 2022

Derivative instruments	Average notional volume	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts				
Grains				(19)
— Soybeans	260,000	Bushels	Up to January 2024	
— Corn	2,965,000	Bushels	Up to January 2024	
Lean hogs	22,360,000	Pounds	Up to December 2023	(5)

The hedge ineffectiveness can arise from:

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments
- differences in the timing of cash flows of the forecasted transactions and the hedging instruments

The commodities contracts as at 31 December 2023 and 31 December 2022 are recorded in "Prepayments, other receivables and other assets" and "Accrued expenses and other payables" in the consolidated statement of financial position.

Cash flow hedges

At 31 December 2023 and 31 December 2022, the Group entered into derivative instruments, such as futures, swaps, option contracts and foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs, pork, and the forecasted purchase of corn and soybean meal as well as foreign currency risk associated with fluctuating foreign currency rates. The terms of the derivative instruments have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

Cash flow hedges (Continued)

At 31 December 2023

Derivative instruments	Average notional volume	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts				
Lean hogs	712,467,000	Pounds	Up to December 2024	45
Grains				(14)
— Corn	59,000	Bushels	Up to December 2024	
— Soybean meal	22,907,000	Tons	Up to August 2024	
Natural gas	12,940,000	British thermal units	Up to December 2026	(22)
Foreign currency forward contracts	19,452,483	Various currencies	Up to July 2024	(1)

At 31 December 2022

Derivative instruments	Average notional volume	Metric	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
Commodities contracts				
Lean hogs	301,720,000	Pounds	Up to December 2023	(27)
Grains				91
— Corn	36,550,000	Bushels	Up to January 2024	
Natural gas	13,200,000	British thermal units	Up to December 2026	(5)
Foreign currency forward contracts	24,804,508	Various currencies	Up to January 2023	—*

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

Cash flow hedges (Continued)

The hedge ineffectiveness can arise from:

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments
- differences in the timing of cash flows of the forecasted transactions and the hedging instruments

The impact of major hedged items on the consolidated financial statements is as follows:

	Total hedging gain (loss) recognised in other comprehensive income US$'million	Amount reclassified from other comprehensive income to profit or loss US$'million	Hedge ineffectiveness recognised in profit or loss US$'million	Deferred net gain (loss) included in other reserve US$'million	Change in fair value used for measuring hedge ineffectiveness for the year US$'million
As at 31 December 2023					
Highly probable forecast lean hog transactions	**39**	**5**	**6**	**31**	**45**
Highly probable forecast grain transactions	**(14)**	**—***	**—***	**(52)**	**(14)**
As at 31 December 2022					
Highly probable forecast lean hog transactions	(27)	(30)	—*	(3)	(27)
Highly probable forecast grain transactions	88	122	3	(20)	91

The commodities contracts, interest rate contracts and foreign currency forward contracts as at 31 December 2023 and 31 December 2022 are recorded in "Prepayments, other receivables and other assets" and "Accrued expenses and other payables" in the consolidated statement of financial position.

The hedge ineffectiveness for forecast lean hog and grain transactions is recognised in "Revenue "and "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income, respectively.

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives not under hedge accounting

	2023 Assets US$'million	2023 Liabilities US$'million	2022 Assets US$'million	2022 Liabilities US$'million
Grain contracts	6	6	1	8
Livestock contracts	7	5	1	4
Energy contracts	29	3	62	—*
Foreign currency forward contracts	—	—*	—*	—*
	42	14	64	12

Major terms of such derivatives are as follows:

Derivative instruments	Average notional volume	Metric	Maturity
At 31 December 2023			
Commodities contract			
Wheat	45,000	Bushels	Up to March 2024
Soybean meal	39,000	Tons	Up to August 2024
Lean hogs	107,015,000	Pounds	Up to October 2024
Corn	19,757,000	Bushels	Up to December 2024
Soybeans	452,000	Bushels	Up to November 2024
Natural gas	2,420,000	British thermal units	Up to December 2024
Crude oil	9,000	Barrels	Up to February 2024
Wind energy	2,583,460	Megawatt-hour	Up to December 2032
Foreign currency forward contracts	13,567,973	US Dollars	Up to July 2024

* Less than US$1 million.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives not under hedge accounting (Continued)

Major terms of such derivatives are as follows:

Derivative instruments	Average notional volume	Metric	Maturity
At 31 December 2022			
Commodities contract			
Wheat	790,000	Bushels	Up to July 2023
Soybean meal	108,600	Tons	Up to March 2023
Lean hogs	57,200,000	Pounds	Up to December 2023
Corn	40,915,000	Bushels	Up to December 2023
Soybeans	2,710,000	Bushels	Up to January 2024
Natural gas	5,480,000	British thermal units	Up to December 2023
Heating oil	—	Gallons	Up to February 2023
Pork bellies	18,600,000	Pounds	Up to June 2023
Hams	928,400	Pounds	Up to March 2023
Diesel	14,112,000	Gallons	Up to December 2023
Cheese	1,158,000	Pounds	Up to June 2023
Soybean oil	—	Pounds	Up to March 2023
Wind energy	2,842,830	Megawatt-hour	Up to December 2032
Foreign currency forward contracts	66,744,517	Various currencies	Up to March 2023

Derivative financial assets and liabilities of US$27 million, US$36 million, US$10 million and US$20 million (2022: US$32 million, US$42 million, US$5 million and US$13 million) are recorded as non-current assets, current assets, non-current liabilities and current liabilities, respectively.

27. PLEDGED/RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

At 31 December 2023, bank balances carry interest at market rates ranging from 0.2% to 7.10% (2022: 0.01% to 6.00%) per annum. The pledged and restricted bank deposits carry interest at fixed rates ranging from 0.2% to 4.00% (2022: 0.01% to 4.00%) per annum.

At 31 December 2023, a subsidiary of the Group, which is engaged in financial services was governed by the law to place US$57 million (2022: US$67 million) of a statutory deposit in the People's Bank of China. In addition, US$7 million (2022: US$6 million) and US$8 million (2022: nil) were placed at designated bank accounts by subsidiaries of the Group for property development as guarantee deposits and certain arrangements of construction cost settlements.

At 31 December 2023, deposits of US$2 million (2022: US$5 million) is pledged to banks for securing banking and trading facilities such as letters of credit and bank loans granted to the Group, and US$2 million (2022: US$2 million) is pledged for securing a loan from a third party. These pledged bank deposits will be released upon the settlement of the relevant borrowings or the release of the relevant facilities.

At 31 December 2023, bank balance of US$3 million (2022: US$2 million) is pledged for worker's compensation insurance claims in the U.S. and China.

28. TRADE PAYABLES

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

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

	2023 **US$'million**	2022 US$'million
Within 30 days	**1,227**	1,384
31 to 90 days	**9**	8
91 to 180 days	**3**	1
181 to 365 days	**1**	2
	1,240	1,395

Included in trade payables of nil (2022: US$7 million) were amounts due to joint ventures (Note 42(b)).

Included in trade payables of US$17 million (2022: US$1 million) were amounts due to associates (Note 42(b)).

29. ACCRUED EXPENSES AND OTHER PAYABLES

	2023 US$'million	2022 US$'million
Accrued staff costs	543	592
Deposits received	75	87
Sales rebates payables	153	176
Payables in respect of acquisition of property, plant and equipment	263	377
Accrued insurance	136	130
Interest payable	24	24
Balance of contingent consideration in respect of acquisition of subsidiaries	249	200
Growers payables	48	49
Pension liability (Note 33)	23	24
Derivative financial instruments (Note 26)	30	18
Accrued professional expenses	8	8
Accrued rent and utilities	35	39
Dividend payables	8	12
Contract liabilities (Note)	298	536
Other accrued expenses	523	478
Other payables	193	171
	2,609	2,921
Analysed for reporting purposes as:		
Current liabilities	2,150	2,513
Non-current liabilities	459	408
	2,609	2,921

Note:

Contract liabilities include advances received from customers in relation to sales of meat products and sales proceeds received from buyers in connection with the Group's pre-sale of properties. As at 1 January 2022, contract liabilities amounted to US$523 million.

30. BORROWINGS

	2023 US$'million	2022 US$'million
Senior unsecured notes:		
4.250% senior unsecured notes due February 2027	598	598
5.200% senior unsecured notes due April 2029	397	396
3.000% senior unsecured notes due October 2030	492	491
2.625% senior unsecured notes due September 2031	492	491
	1,979	1,976
Commercial papers (Note i)	—	—
Bank loans (Note ii):		
Secured	7	6
Unsecured	1,239	1,381
Loans from third parties (Note iii):		
Secured	1	1
Unsecured	2	2
Total borrowings	3,228	3,366
Borrowings are repayable as follows (Note iv):		
Within one year	1,106	862
One to two years	12	148
Two to five years	728	975
After five years	1,382	1,381
	3,228	3,366
Less: Amounts due within one year shown under current liabilities	(1,106)	(862)
Amounts due after one year	2,122	2,504
Total borrowings:		
At fixed rates	2,870	2,557
At floating rates	358	809
	3,228	3,366
Analysis of borrowings by currency:		
Denominated in US$	1,980	2,176
Denominated in RMB	1,093	573
Denominated in HK$	78	370
Denominated in other currencies	77	247
	3,228	3,366

30. 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$1,750 million. There were no outstanding commercial papers as at 31 December 2023 (2022: Nil).

ii. Bank loans carry interest at fixed rates ranging from 0.70% to 3.75% per annum (2022: 1.25% to 5.80% per annum) and at floating rates ranging from HIBOR + 0.5% to WIBOR + 1.4% per annum at 31 December 2023 (2022: SOFR + 0.65% to WIBOR + 1.2% per annum).

iii. Loans from third parties carry interest at a fixed rate of 0.9% per annum at 31 December 2023 (2022: 0.9% per annum).

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

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 had no material default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the years ended 31 December 2023 and 31 December 2022. Details of the assets pledged to secure such borrowings are set out in note 40 to the consolidated financial statements.

31. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 **US$'million**	2022 US$'million
Deferred tax assets	**86**	58
Deferred tax liabilities	**(570)**	(697)
	(484)	(639)

31. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets/liabilities recognised by the Group, and the movements thereon during the year:

Tax effect of deductible temporary differences and tax losses:

	Impairment of financial assets US$'million	Impairment loss and accelerated accounting depreciation on property, plant and equipment US$'million	Unrealised profit in inventories US$'million	Write-down of inventories US$'million	Tax losses US$'million	Unpaid staff welfare US$'million	Capitalised research and development expenditures US$'million	Fair value changes arising from biological assets US$'million	Lease liabilities US$'million	Other deductible temporary differences US$'million	Total US$'million
At 31 December 2021	1	5	1	2	77	131	46	35	—	175	473
Effect of adoption of amendments to IAS 12 (Note 2.2(c))	—	—	—	—	—	—	—	—	95	—	95
At 1 January 2022 (restated)	1	5	1	2	77	131	46	35	95	175	568
Currency realignment	(—*)	(1)	(—*)	(—*)	(3)	(4)	—	—	(—*)	(4)	(12)
Credited (charged) to profit or loss	(1)	(—)	8	(1)	5	—	24	21	10	(4)	62
Credited (charged) to equity	—	—	—	—	—	(28)	—	—	—	—	(28)
At 31 December 2022 (restated)	(—*)	4	9	1	79	99	70	56	105	167	590
At 31 December 2022	—	4	9	1	79	99	70	56	—	167	485
Effect of adoption of amendments to IAS 12 (Note 2.2(c))	—	—	—	—	—	—	—	—	105	—	105
At 1 January 2023 (restated)	—	4	9	1	79	99	70	56	105	167	590
Currency realignment	(—*)	—*	—*	—*	4	—*	—	(1)	—*	6	9
Credited (charged) to profit or loss	—	—	—	—	(9)	4	28	(12)	(14)	23	20
Credited (charged) to equity	—	—	—	—	—	5	—	—*	—	—	5
At 31 December 2023	(—*)	4	9	1	74	108	98	43	91	196	624

* Less than US$1 million.

31. DEFERRED TAXATION (Continued)

Tax effect of taxable temporary differences:

	Accelerated tax depreciation US$'million	Undistributed earnings of subsidiaries US$'million	Fair value changes arising from business combination US$'million	Fair value changes arising from biological assets US$'million	Right-of-use assets US$'million	Other taxable temporary differences US$'million	Total US$'million
At 31 December 2021	(583)	(36)	(452)	(7)	—	(78)	(1,156)
Effect of adoption of amendments to IAS 12 (Note 2.2(c))	—	—	—	—	(95)	—	(95)
At 1 January 2022 (restated)	(583)	(36)	(452)	(7)	(95)	(78)	(1,251)
Currency realignment	5	11	10	—	—*	6	32
Disposal of assets of a subsidiary	(3)	—	—	—	—	—	(3)
(Charged) credited to profit or loss	14	17	(14)	—	(10)	(25)	(18)
(Charged) credited to equity	(—*)	—	(—*)	(—*)	—	11	11
At 31 December 2022 (restated)	**(567)**	**(8)**	**(456)**	**(7)**	**(105)**	**(86)**	**(1,229)**
At 31 December 2022	**(567)**	**(8)**	**(456)**	**(7)**	**—**	**(86)**	**(1,124)**
Effect of adoption of amendments to IAS 12 (Note 2.2(c))	**—**	**—**	**—**	**—**	**(105)**	**—**	**(105)**
At 1 January 2023 (restated)	**(567)**	**(8)**	**(456)**	**(7)**	**(105)**	**(86)**	**(1,229)**
Currency realignment	**(7)**	**—**	**—**	**—**	**(—*)**	**31**	**24**
Disposal of assets	**(2)**	**—**	**—**	**—**	**—**	**—**	**(2)**
(Charged) credited to profit or loss	**60**	**(17)**	**—**	**4**	**13**	**39**	**99**
(Charged) credited to equity	**(3)**	**—**	**—**	**(—*)**	**—**	**3**	**(—*)**
At 31 December 2023	**(519)**	**(25)**	**(456)**	**(3)**	**(92)**	**(13)**	**(1,108)**

* Less than US$1 million.

31. DEFERRED TAXATION (Continued)

At 31 December 2023, the Group had tax losses of US$509 million (2022: US$529 million) available for offsetting against future profits of which a deferred tax asset has been recognised in respect of US$207 million (2022: US$310 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of US$302 million (2022: US$219 million) due to the unpredictability of future profit stream. Unrecognised tax losses amounting to US$78 million (2022: US$72 million) may be carried forward indefinitely. The remaining unrecognised tax losses will expire on or before 2042 as follows:

	2023 US$'million	2022 US$'million
By end of		
2023	—	3
2024	**15**	28
2025	**7**	40
2026	**44**	52
2027	**8**	8
2028 or after	**150**	16
	224	147

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$4,533 million (2022: US$4,424 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

32. DEFERRED REVENUE

	2023 US$'million	2022 US$'million
Government grant	**10**	38

The deferred revenue as at 31 December 2023 and 31 December 2022 represents government grant received in relation to the construction of property, plant and equipment of the Group. As the related assets are under construction, the grant received from the government will be released to profit or loss as other income over the useful lives of the related amounts after the construction is completed.

33. 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 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 the final average salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The plan in the U.S. exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and price risk as follows:

Investment risk
The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liability, the board of the pension fund considers it is appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estates to leverage the return generated by the fund.

Interest rate risk
A decrease in the interest rate of fixed income products will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Price risk
An increase in the market price of equity investments will increase the plan assets.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at the end of the reporting period 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.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at 31 December	
	2023	2022
Discount rate	**5.0%**	5.2%
Expected rate of salary increase	**4.0%**	4.0%

The actuarial valuations showed that the market value of plan assets was US$1,551 million as at 31 December 2023 (2022: US$1,518 million).

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2023 **US$'million**	2022 US$'million
Current service cost	**13**	24
Net interest expense	**19**	14
	32	38

Remeasurement of the net defined benefit liability included in other comprehensive income (expense) is as follows:

	2023 **US$'million**	2022 US$'million
Return on plan assets (excluding amounts included in net interest expense)	**53**	(633)
Actuarial gains (losses) arising from change in financial assumptions	**(71)**	763
	(18)	130
Deferred taxation (Note 31)	**5**	(28)
	(13)	102

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2023 US$'million	2022 US$'million
Present value of funded defined benefit obligations	1,960	1,894
Fair value of plan assets	(1,551)	(1,518)
Funded status and net liability arising from defined benefit obligation	409	376
Other retirement benefits, net	8	10
	417	386
Included in:		
Current liabilities (Note 29)	23	24
Non-current liabilities	394	362
	417	386

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2023 US$'million	2022 US$'million
Defined benefit obligation at 1 January	1,894	2,684
Current service cost	13	24
Interest cost	96	74
Benefits paid	(114)	(125)
Remeasurement (gains) losses:		
Actuarial (gains) losses arising from change in financial assumptions	71	(763)
Defined benefit obligation at 31 December	1,960	1,894

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

Movements in the present value of the plan assets in the current year were as follows:

	2023 US$'million	2022 US$'million
Fair value of plan assets at 1 January	1,518	2,194
Interest income	77	60
Contributions from the employers	22	22
Benefits paid	(119)	(125)
Remeasurement gains (losses):		
Return on plan assets (excluding amounts included in net interest expense)	53	(633)
Fair value of plan assets at 31 December	1,551	1,518

The fair values of the plan assets as at the end of the reporting period for each category are as follows:

	Fair value of plan assets at 31 December	
	2023 US$'million	2022 US$'million
Cash and cash equivalents	176	112
Equity securities	508	539
Debt securities	582	521
Alternative investments	4	5
Limited partnerships	298	296
Total fair value	1,568	1,473
Unsettled transactions, net	(17)	45
Total plan assets	1,551	1,518

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of alternative investments and limited partnerships are not based on quoted market prices in active markets. As at 31 December 2023, US$611 million, US$659 million and US$298 million of plan assets (2022: US$574 million, US$603 million and US$296 million) are classified as Level 1, Level 2 and Level 3, respectively.

The actual return on plan assets was 2.19% (2022: –0.39%) over 5 years.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease (increase) by US$119 million (2022: decrease (increase) by US$112 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

Pension plan assets may be invested in cash and cash equivalents, 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. Equity targets for the pension plans are as indicated in the following table. Maturity for fixed income securities is managed such that sufficient liquidity exists to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within parameters established by the plan trustees.

The following table presents the fair value of the qualified pension plan assets by major asset category as at the end of the reporting period. The allocation of the pension plan assets is based on the target range presented in the following table.

	At 31 December 2023		At 31 December 2022	
	US$'million	**Target range**	US$'million	Target range
Asset categories				
Cash and cash equivalents, net of unsettled transactions	**159**	**0–10%**	157	0–10%
Equity securities	**508**	**35–55%**	539	35–55%
Debt securities	**582**	**35–55%**	521	35–55%
Alternative investments	**302**	**0–20%**	301	0–20%
	1,551		1,518	

The Group expects to make a contribution of US$22 million to the defined benefit plan during the next financial year.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

Cash and cash equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their net asset value, which approximates to fair value, and classified as Level 1. The fair values of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

Equity securities

When available, the fair values of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and commingled funds that are not actively traded.

Debt securities

The fair values of debt securities are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 1 or Level 2. The nature of these debt securities includes instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 1 debt securities include corporate debt securities and government debt securities. Level 2 debt securities include commingled funds, asset-backed securities and emerging market securities.

Alternative investments

The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments includes instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds.

33. PENSION LIABILITY AND OTHER RETIREMENT BENEFITS (Continued)

Defined benefit plans (Continued)

Limited partnerships

The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long term nature of such assets and is classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilising available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments, with adjustments for investment-specific issues, the lack of liquidity and other items.

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 obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

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

The amount charged to profit or loss of approximately US$146 million during the year ended 31 December 2023 (2022: US$147 million) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

34. BUSINESS COMBINATIONS & DISPOSAL

For the year ended 31 December 2023

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.

34. BUSINESS COMBINATIONS & DISPOSAL (Continued)

Fair value assessments

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

	Notes	Acquisition of companies individually not significant US$'million
Property, plant and equipment	14	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	18	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:

	US$'million
Analysis of the cash flows in respect of the acquisition 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)

34. BUSINESS COMBINATIONS & DISPOSAL (Continued)

Fair value assessments (Continued)

Since the completion of acquisition, Goodies and DeVeris contributed US$49 million to the Group's revenue and US$4 million to the Group's consolidated profit for the year ended 31 December 2023.

Had the combinations taken place at the beginning of the year, the revenue and the consolidated profit for the year of the Group would have been US$26,243 million and US$860 million, respectively.

For the year ended 31 December 2022

Disposal of Saratoga Specialty Foods operations ("Saratoga")

On 3 October 2022, the Group executed an agreement to sell Saratoga, which develops and produces spices, seasonings and marinades for internal production of various packaged meats products and for sale to the foodservice industry in the U.S.

The sale was completed on 31 October 2022 with consideration of US$575 million. The gain on disposal of US$414 million, net of exit costs, was recognised in profit or loss during the year ended 31 December 2022. The amount of assets disposed included allocation of goodwill of US$47 million.

Exit of Norson

During the year ended 31 December 2022, the Group offered to purchase the shares of Norson, an integrated hog producer and processor in Mexico, that were held by the joint-venture partner but was being rejected. As a result, the joint-venture partner was irrevocably committed to purchase the Group's shares in Norson pursuant to the joint-venture agreement. In November 2022, the Group completed the sale of all the shares in Norson and recognised a loss on disposal of US$12 million.

Investments in renewable natural gas joint-ventures

The Group has several joint-ventures in the U.S. which are engaged in converting waste from its hog farming operations into carbon negative renewable natural gas to power homes, vehicles and businesses. Align was formed with Dominion Energy RNG Holdings, Inc., and Monarch was formed with Roeslein Alternative Energy, LLC. In February 2022, the Group formed Viceroy Bio Energy, LLC ("**Viceroy**") with its partners in Monarch. Upon the formation, Monarch contributed certain assets related to biogas operations to Viceroy. Also in February 2022, Monarch issued additional shares representing a 33% ownership interest to a climate investor, TPG Rise Monsoon, LP. As a result, the Group's ownership interest in Monarch was reduced from 50% to 33% and a gain on deemed disposal of US$52 million was recognised during the year ended 31 December 2022.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$53 million and US$53 million, respectively (2022: US$197 million and US$213 million).

(b) Changes in liabilities arising from financing activities

	Dividend payables US$'million	Lease liabilities US$'million	Borrowings and other loans US$'million
At 1 January 2022	60	487	4,014
Changes from financing cash flows	(610)	(141)	(605)
New leases	—	213	—
Interest expense	—	23	—
Termination	—	(43)	—
Dividends declared	623	—	—
Currency realignment	(61)	(5)	(43)
At 31 December 2022 and 1 January 2023	**12**	**534**	**3,366**
Changes from financing cash flows	**(759)**	**(115)**	**(140)**
New leases	**—**	**53**	**—**
Interest expense	**—**	**21**	**—**
Termination	**—**	**(6)**	**—**
Dividends declared	**756**	**—**	**—**
Currency realignment	**(1)**	**3**	**2**
At 31 December 2023	**8**	**490**	**3,228**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 US$'million	2022 US$'million
Within operating activities	**171**	132
Within investing activities	**12**	27
Within financing activities	**115**	141
	298	300

36. SHARE CAPITAL

	Number of shares 'million	Amount US$'million
Ordinary shares of US$0.0001 each:		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	50,000	5
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	12,830.20	1

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30 to the consolidated financial statements, net of cash and cash equivalents and total equity, comprising issued share capital, reserves and retained profits. As at 31 December 2023, the Group's net debt to equity ratio was 19.6% (2022: 18.9%).

Categories of financial instruments

Financial assets

As at 31 December 2023

Asset categories	Financial assets at fair value through profit or loss* US$'million	Financial assets at amortised cost US$'million	Total US$'million
Listed equity investments	9	—	9
Unlisted equity investments	2	—	2
Unlisted financial products	77	—	77
Derivative financial assets	63	—	63
Other non-current assets	151	—	151
Debt investments at amortised cost	—	469	469
Trade, bills and other receivables and other assets	22	1,037	1,059
Pledged/restricted bank deposits	—	79	79
Cash and bank balances	—	1,156	1,156
	324	2,741	3,065

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

Financial assets (Continued)

As at 31 December 2022

Asset categories	Financial assets at fair value through profit or loss* US$'million	Financial assets at amortised cost US$'million	Total US$'million
Unlisted equity investments	11	—	11
Unlisted financial products	149	—	149
Derivative financial assets	74	—	74
Other non-current assets	139	—	139
Debt investments at amortised cost	—	282	282
Trade, bills and other receivables and other assets	23	1,263	1,286
Pledged/restricted bank deposits	—	82	82
Cash and bank balances	—	1,394	1,394
	396	3,021	3,417

* The financial assets at fair value through profit or loss are mandatorily measured at FVPL.

Financial liabilities

	2023 US$'million	2022 US$'million
At amortised cost		
Trade and other payables	**1,956**	2,078
Lease liabilities	**490**	534
Borrowings (fixed and floating rates)	**3,228**	3,366
	5,674	5,978
At fair value through profit or loss:		
Derivative financial liabilities	**30**	18

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, cash and bank balances, financial assets at FVPL, derivative financial instruments, trade, bills and other receivables, other non-current assets, trade and other payables, lease liabilities, and borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management

Certain group entities have certain foreign currency sales, purchases, cash and bank balances and borrowings denominated in US$, EUR, GBP, HK$, RMB, HUF and JPY, which expose the Group to foreign currency risk at these individual group entities level. In order to mitigate the foreign currency risks, foreign currency forward contracts are entered into by the Group for certain material foreign currency transactions. The critical terms of these foreign currency forward contracts are similar to those of the hedged payments and receipts denominated in foreign currencies. These foreign currency forward contracts are designated as hedging instruments and hedge accounting is applied as the contracts are considered highly effective hedging items. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2023 US$'million	2022 US$'million
Assets		
US$		
Cash and bank balances	**5**	2
EUR		
Cash and bank balances	**2**	2
Trade, bills and other receivables	**46**	60
RMB		
Cash and bank balances	**1**	—
Trade, bills and other receivables	**2**	6
JPY		
Trade, bills and other receivables	**—***	6
GBP		
Trade, bills and other receivables	**39**	15
HUF		
Cash and bank balances	**3**	—
Liabilities		
US$		
Borrowings	**1**	1
EUR		
Trade and other payables	**19**	31
Borrowings	**49**	96
GBP		
Trade and other payables	**1**	—
Borrowings	**6**	—
HK$		
Trade and other payables	**—***	—*
Borrowings	**78**	379

* Less than US$1 million

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis

The Group is mainly exposed to the effect of US$ against the functional currencies of the respective group entities, except for HK$ as it is pegged to the US$.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in US$ against functional currencies of the respective group entities which represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to the functional currencies of the respective group entities at the year end for a 5% (2022: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where US$ strengthens 5% (2022: 5%) against the relevant currency.

	2023 US$'million	2022 US$'million
US$ impact	**1**	(2)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the respective year.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its financial assets at FVPL and fixed-rate borrowings (see notes 25 and 30 respectively for details). The Group currently does not enter into any derivative contracts to hedge its exposure to changes in fair values of financial assets at FVPL, fixed-rate borrowings. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to floating rate bank balances and borrowings (see notes 27 and 30 respectively for details). The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate borrowings, bank overdrafts and bank balances, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used for sensitivity analysis which represents management's assessment of the reasonably possible change in interest rates.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Interest rate risk management (Continued)

Sensitivity analysis (Continued)

If interest rates decreased (increase) by 25 basis points and all other variables were held constant, the potential effect on post-tax profit is as follows:

	2023 US$'million	2022 US$'million
Increase in post-tax profit	**2**	1

There would be an equal and opposite impact on the post-tax profit where the interest rates increased by 25 basis points and all other variables were held constant.

Credit risk management

The Group's credit risk is primarily attributable to its trade, bills and other receivables, bank balances and pledged bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties and arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade, bills and other receivables, with exposure spread over a large number of counterparties and customers.

Information about credit risk exposure on the Group's trade receivables using the provision matrix is disclosed in note 23 to the consolidated financial statements. As at 31 December 2023 and 31 December 2022, the loss allowance provision for pledged/restricted bank deposits, cash and bank balances, bills receivable and financial assets included in prepayments, other receivables and other assets was not material.

The ECLs for financial assets included in prepayments, other receivables and other assets are based on assumptions about the probability of default and the expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the ECL calculations, based on the Group's historical loss record, current conditions as well as forward-looking information.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Credit risk management (Continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'million	Stage 2 US$'million	Stage 3 US$'million	Simplified approach US$'million	Total US$'million
Trade and bills receivables	2	—	—	887	889
Financial assets included in prepayments, other receivables and other assets	164	—	—	—	164
Debt investments at amortised cost	469	—	—	—	469
Pledged/restricted bank deposits	79	—	—	—	79
Cash and bank balances	1,156	—	—	—	1,156
	1,870	—	—	887	2,757

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'million	Stage 2 US$'million	Stage 3 US$'million	Simplified approach US$'million	Total US$'million
Trade and bills receivables	8	—	—	1,090	1,098
Financial assets included in prepayments, other receivables and other assets	176	—	—	—	176
Debt investments at amortised cost	282	—	—	—	282
Pledged/restricted bank deposits	82	—	—	—	82
Cash and bank balances	1,394	—	—	—	1,394
	1,942	—	—	1,090	3,032

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the companies comprising the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2023, the Group had available unutilised banking facilities of approximately US$5,569 million (2022: US$5,725 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table also details the Group's analysis of its derivative financial instruments that are settled on a net basis, based on their fair value recorded in liabilities as at the end of the reporting period.

	On demand and 1 year or less US$'million	1 to 2 years US$'million	2 to 5 years US$'million	More than 5 years US$'million	Total US$'million
At 31 December 2023					
Trade payables	**1,240**	**—**	**—**	**—**	**1,240**
Other payables	**716**	**—**	**—**	**—**	**716**
Lease liabilities	**108**	**93**	**155**	**268**	**624**
Borrowings (fixed and floating rates)	**1,141**	**13**	**826**	**1,617**	**3,597**
	3,205	**106**	**981**	**1,885**	**6,177**
Derivative financial liabilities, net	**24**	**6**	**—**	**—**	**30**
At 31 December 2022					
Trade payables	1,395	—	—	—	1,395
Other payables	683	250	—	—	933
Lease liabilities	112	99	199	312	722
Borrowings (fixed and floating rates)	952	607	829	1,518	3,906
	3,142	956	1,028	1,830	6,956
Derivative financial liabilities, net	13	5	—	—	18

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to 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 management has assessed that the fair values of non-current financial assets and financial liabilities approximate to their carrying amounts. The Group's own non-performance risk for non-current financial liabilities as at 31 December 2023 and 31 December 2022 was assessed to be insignificant.

Fair value measurements recognised in the 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).

	2023			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
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

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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

	2022			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Financial assets at fair value through profit or loss	—	11	149	160
Derivative financial assets	20	12	54	86
Other non-current assets	38	89	12	139
Financial assets included in prepayments, other receivables and other assets	—	23	—	23
	58	135	215	408
Derivative financial liabilities	17	13	—	30

Financial assets at FVPL included (a) unlisted investments in equity securities whose 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 whose fair values are determined based on significant unobservable inputs (Level 3) including expected rate of return of 1.5% to 3.9% (31 December 2022: 1.6% to 4.4%).

The fair values of derivative financial assets/liabilities are determined by quoted prices in active markets (Level 1) or using the 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 their quoted prices in active markets (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.

Sensitivity analysis

The fair value of financial assets and financial liabilities that are classified as Level 3 is determined 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, SOFR 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 a significant impact on the Group's profit or loss.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the 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 years are as follows:

	Financial assets at fair value through profit or loss US$'million	Derivative financial assets US$'million	Other non-current assets US$'million
At 1 January 2022	232	34	14
Total gain (loss) recognised in profit or loss included in cost of sales and other gains and (losses)	8	42	(2)
Purchases	1,078	—	—
Disposals	(1,174)	(22)	—
Currency realignment	5	—	—
At 31 December 2022 and 1 January 2023	**149**	**54**	**12**
Total gain (loss) 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	**77**	**29**	**9**

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurements and valuation processes (Continued)

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

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

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

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

As at 31 December 2023

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

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

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurements and valuation processes (Continued)

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

As at 31 December 2022

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position — Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position — Cash collateral received US$'million	Net amount US$'million
Derivatives	20	(9)	11	(3)	—	8

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position — Financial collateral US$'million	Related amounts not set off in the consolidated statement of financial position — Cash collateral pledged US$'million	Net amount US$'million
Derivatives	11	(9)	2	(2)	—	—

38. SHARE INCENTIVE SCHEMES

Pre-IPO share option scheme

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

In July 2014, the number of shares in respect of which options had been granted under the pre-IPO share option scheme was 584,795,555, with an exercise price of HK$6.20 per share, representing no more than 5% of the then issued share capital of the Company upon completion of the listing on the Stock Exchange. No consideration was paid by the grantees for the grant of the pre-IPO share options. The pre-IPO share option scheme will expire in 10 years after the date of listing of the Company (i.e. 5 August 2014).

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

The key inputs into the model were as follows:

Share price	HK$6.66
Exercise price	HK$6.20
Option life	10 years
Expected volatility	42%
Risk-free rate	2.06%

The expected volatility was determined by using the historical volatility of the selected comparable companies in the same industry.

The following table discloses details of the Group's outstanding share options under the pre-IPO share option scheme and their movements during the year:

Option type	Date of grant	As at 1 January 2022	Exercised	Cancelled	Lapsed	As at 31 December 2022	Exercised	Cancelled	Lapsed	As at 31 December 2023
Pre-IPO share option scheme	July 10, 2014	435,191,637	—	—	2,709,927	432,481,710	—	—	7,912,320	424,569,390
Exercisable at the end of the year		435,191,637				432,481,710				

For the year ended 31 December 2023, no share-based payment expense was recognised (2022: Nil) in relation to the pre-IPO share option scheme.

38. SHARE INCENTIVE SCHEMES (Continued)

Pre-IPO share option scheme (Continued)

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 31 December 2023 was 424,569,390 (as at 1 January 2023: 432,481,710), which represented approximately 3.3% of the weighted average number of Shares in issue for the year ended 31 December 2023 (as at 1 January 2023: approximately 3.4%).

As at the date of this annual report, the total number of Shares that may be issued in respect of options granted under the pre-IPO share option scheme of the Company was 424,565,390, which represented approximately 3.3% of the total number of Shares in issue as at that date.

39. COMMITMENTS

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

	2023 **US$'million**	2022 US$'million
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**144**	181

In addition, the Group had the following commitments provided to joint ventures (including the Group's share of commitments made jointly with other joint venturers), which are not included in the above:

	2023 **US$'million**	2022 US$'million
Contracted, but not provided for:		
Capital contribution	**9**	20

40. PLEDGE OF ASSETS

	2023 **US$'million**	2022 US$'million
Pledged bank balances	**7**	9

As at 31 December 2023 and 31 December 2022, certain of the Group's principal U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under certain banking facilities.

40. PLEDGE OF ASSETS (Continued)

Smithfield Receivables Funding, LLC ("**Smithfield Receivables**"), a wholly-owned subsidiary of the Group, has a securitisation facility that matures 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 consolidated statement of financial position of the Group. However, the trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield Receivables if Smithfield Receivables was to become insolvent. As at 31 December 2023, the SPV held US$370 million (2022: US$574 million) of trade receivables and had outstanding borrowings of US$23 million (2022: US$25 million) on the securitisation facility. No financial or other support to this SPV was provided by the Group as at 31 December 2023 and 31 December 2022.

41. 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's policy for establishing accruals and disclosures for contingent liabilities is set out in note 3 to the financial statements. 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.

The Group had the following significant litigations during the years ended 31 December 2023 and 31 December 2022:

Antitrust Litigations

Smithfield, a wholly-owned subsidiary of the Company, has been named as one of 16 defendants in a series of purported class actions alleging anti-trust 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 anti-trust laws of the United States and the two groups of indirect purchasers seek treble damages, attorneys' fees, and costs under various state anti-trust and consumer-protection statutes of the United States.

41. REGULATIONS AND CONTINGENCIES (Continued)

Antitrust Litigations (Continued)

In addition to the putative class actions filed in 2018, Smithfield has been named as a defendant in similar antitrust lawsuits brought by a number of individual purchasers and not on behalf of a class. The plaintiffs in these non-class cases assert the same antitrust claims as the plaintiffs in the putative class actions and filed amended complaints. The Attorneys General for the States of New Mexico, Alaska and the Common wealth of Puerto Rico have each filed a similar complaint on behalf of their respective states, its agencies and its citizens.

Under an agreement dated 29 June 2021, the Group has agreed to settle all direct-purchasers class claims for a single payment up to US$83 million. The terms of the settlement were approved by the court following notice to all class members. Due to the number of class members who elected to opt out of the settlement, under the terms of the settlement agreement, the final settlement amount was US$77 million.

Under an agreement dated 19 March 2022, the Group agreed to settle all commercial and institutional indirect-purchaser class claims for a single payment of US$42 million. The terms of the settlement received final approval from the court on 19 October 2022.

Under an agreement dated 4 August 2022, the Group agreed to settle all consumer indirect-purchaser class claims for a single payment of US$75 million. The terms of the settlement received final approval from the court on 11 April 2023.

Currently, 34 individual cases (including customers who opted out of the class settlements) remain pending against the Group. The Group intends to vigorously defend against the remaining class claims on the Antitrust Litigations.

Antitrust Wage-Fixing Litigation

On 11 November 2022, Smithfield and Smithfield Packaged Meats Corp. were named as two of 16 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 allege 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. Defendants filed motions to dismiss the complaint, which were largely denied by the court on 27 September 2023. Plaintiffs have moved to amend their complaint seeking to add additional defendants, including Murphy-Brown of Missouri, LLC, and to expand the class period back to 2000. The Group intends to vigorously defend against these claims.

41. REGULATIONS AND CONTINGENCIES (Continued)

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.

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

42. RELATED PARTY TRANSACTIONS

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

	2023 US$'million	2022 US$'million
Sales of goods to associates	7	9
Sales of goods to joint ventures	4	20
Purchase of goods and services from associates	176	207
Purchase of goods and services from joint ventures	16	22

(b) Balances with associates/joint ventures at the end of the reporting period:

	2023 US$'million	2022 US$'million
Included in:		
Trade and bills receivables	—	—*
Prepayments, other receivables and other assets	2	—*
Trade payables	17	8

Note:

The amounts due to/from associates/joint ventures are unsecured, interest-free and repayable on demand as 31 December 2023 and 31 December 2022.

(c) 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 below:

	Year ended 31 December 2023 US$'million	 2022 US$'million
Directors' fees	—*	—*
Basic salaries and allowances	11	11
Performance bonuses	6	6
Termination benefits	—	7
Retirement benefit scheme contributions	1	1
Total compensation paid to key management personnel	18	25

* Less than US$1 million.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 US$'million	2022 US$'million
NON-CURRENT ASSETS		
Interests in unlisted subsidiaries	5,139	5,139
CURRENT ASSETS		
Amounts due from subsidiaries	144	151
Prepayments, other receivables and other assets	—*	—*
Cash and bank balances	1	1
	145	152
CURRENT LIABILITIES		
Amounts due to subsidiaries	2,236	1,867
Other payables	1	1
	2,237	1,868
NET CURRENT LIABILITIES	(2,092)	(1,716)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,047	3,423
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	—	352
NET ASSETS	3,047	3,071
CAPITAL AND RESERVES		
Share capital (Note 36)	1	1
Share premium	1,083	1,083
Translation reserve	61	61
Other reserve	214	219
Retained profits	1,688	1,707
TOTAL EQUITY	3,047	3,071

* Less than US$1 million.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movements in the Company's reserves

	Share premium US$'million	Translation reserve US$'million	Other reserve US$'million (Note)	Retained profits US$'million	Total US$'million
At 1 January 2022	1,083	61	220	1,671	3,035
Profit and total comprehensive income for the year	—	—	—	346	346
Dividend (Note 12)	—	—	—	(311)	(311)
Lapsed of share option	—	—	(1)	1	—
	—	—	(1)	36	35
At 31 December 2022 and 1 January 2023	**1,083**	**61**	**219**	**1,707**	**3,070**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**466**	**466**
Dividend (Note 12)	**—**	**—**	**—**	**(490)**	**(490)**
Lapsed of share option	**—**	**—**	**(5)**	**5**	**—**
	—	**—**	**(5)**	**(19)**	**(24)**
At 31 December 2023	**1,083**	**61**	**214**	**1,688**	**3,046**

Note:

Other reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests at the end of the reporting period:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
				US$'million	US$'million	**US$'million**	US$'million
河南雙滙投資發展股份有限公司 Henan Shuanghui Investment & Development Co., Ltd. ("**Shuanghui Development**")	China	**29.67%**	29.67%	**224**	261	**738**	803
Individually immaterial subsidiaries with non-controlling interests				**7**	19	**6**	9
				231	280	**744**	812

Summarised financial information in respect of Shuanghui Development that has material non-controlling interests is set out below using the same accounting policies of the Group. The summarised financial information below represents the amounts before intragroup eliminations.

	As at 31 December	
	2023	2022
	US$'million	US$'million
Non-current assets	**2,833**	2,905
Current assets	**2,305**	2,328
Current liabilities	**(1,965)**	(1,948)
Non-current liabilities	**(213)**	(106)
Equity attributable to owners of Shuanghui Development	**(2,920)**	(3,134)
Non-controlling interests of Shuanghui Development's subsidiaries	**40**	45
Non-controlling interests of Shuanghui Development	**698**	758
	738	803

44. NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

	Year ended 31 December 2023 US$'million	2022 US$'million
Revenue	8,394	9,237
Total expenses	(7,657)	(8,396)
Profit and total comprehensive income for the year	737	841
Profit attributable to owners of the Company	513	582
Profit attributable to the non-controlling interests of Shuanghui Development's subsidiaries	7	14
Profit attributable to the non-controlling interests of Shuanghui Development	217	245
	737	841
Dividends paid to non-controlling interests of Shuanghui Development's subsidiaries	13	8
Net cash flows from operating activities	471	1,161
Net cash flows used in investing activities	(442)	(555)
Net cash flows used in financing activities	(444)	(954)
Net cash outflow	(415)	(348)

45. OTHER COMPREHENSIVE INCOME (EXPENSE)

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

	2023 US$'million	2022 US$'million
Other comprehensive income (expense) includes:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement on defined benefit pension plans	(18)	130
Income tax relating to defined benefit pension plans	5	(28)
	(13)	102
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	105	(354)
Fair value change in cash flow hedge	2	(45)
Income tax relating to cash flow hedge	—*	12
	107	(387)
Other comprehensive expense, net of tax	94	(285)

* Less than US$1 million.

46. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2023 and 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/registered capital	Attributable proportion of issued/registered capital held by the Company		Principal activities
			2023	2022	
Rotary Vortex Limited	Hong Kong	Ordinary shares HK$33,883,510,411	100%	100%	Investment holding and trading
Shuanghui Development (Note 1)	China	Shares RMB3,464,661,213	70.33%	70.33%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sale of packaging materials and meat products
Smithfield	U.S.	Note 2	100%	100%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sale of packaging materials and meat products

Note 1: This company is listed on the A-Share Market of the Shenzhen Stock Exchange and registered as a limited liability company under the Law of the People's Republic of China.

Note 2: The par value of the common shares of this subsidiary is zero.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the consolidated net assets. To give details of all the subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

FIVE YEAR SUMMARY

As of and for the Year Ended December 31 US$ million (unless otherwise stated)	2023	2022	2021	2020	2019
Key financial data					
Revenue	**26,236**	28,136	27,293	25,589	24,103
Revenue growth rate (%)	**–6.8%**	3.1%	6.7%	6.2%	6.6%
Operating profit	**1,471**	2,093	1,966	1,729	2,031
Operating profit margin (%)	**5.6%**	7.4%	7.2%	6.8%	8.4%
Profit before taxation	**1,057**	2,132	1,700	1,315	2,052
Taxation	**(197)**	(482)	(402)	(223)	(357)
Profit for the year	**860**	1,650	1,298	1,092	1,695
Profit for the year attributable to:					
— owners of the Company	**629**	1,370	1,068	828	1,465
— non-controlling interests	**231**	280	230	264	230
	860	1,650	1,298	1,092	1,695
Profit attributable to owners of the Company, before biological fair value adjustments	**606**	1,401	1,043	973	1,378
Basic earnings per share (US cents)	**4.90**	10.68	7.55	5.62	9.96
Total assets	**19,179**	19,855	19,411	18,715	17,282
Total liabilities	**(8,604)**	(9,443)	(9,724)	(7,730)	(7,830)
Net assets	**10,575**	10,412	9,687	10,985	9,452
Equity attributable to owners of the Company	**9,831**	9,600	8,748	10,005	8,684
Non-controlling interest	**744**	812	939	980	768
Total equity	**10,575**	10,412	9,687	10,985	9,452

GLOSSARY

"AGM"	the annual general meeting of the Company
"Align"	Align RNG, LLC
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Company
"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
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee, the Food Safety Committee and the Risk Management Committee
"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
"Company Secretary"	the company secretary of the Company

"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
"CPD"	continuous professional development
"Director(s)"	the director(s) of the Company
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"EC"	the European Commission
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"ERM System"	the enterprise risk management system of the Company
"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 Company
"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
"IFRS"	International Financial Reporting Standards
"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
"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"	Ministry of Agriculture and Rural Affairs of the People's Republic of China
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Monarch"	Monarch Bio Energy, LLC
"Moody's"	Moody's Investor Service Limited
"Nomination Committee"	the nomination committee of the Company
"pp"	percentage points
"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, adviser, 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 "Directors' Report — Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Prospectus"	the prospectus of the Company in relation to the Listing dated 24 July 2014

"Remuneration Committee"	the remuneration committee of the Company
"Review Period"	the period from 1 January 2023 to 31 December 2023
"Rich Matrix"	Rich Matrix Global Limited (裕基環球有限公司), a limited liability company incorporated under the laws of the BVI on 9 September 2013
"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 Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"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
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd. (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRC on 29 August 1994 and an indirect wholly-owned subsidiary of the Company which ceased operation and was deregistered following the completion of the internal restructuring of the Group in September 2019
"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
"USDA"	U.S. Department of Agriculture
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"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

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Smithfield

This annual report is printed on environmental-friendly paper