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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in WH Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

**(1) POSSIBLE MAJOR TRANSACTION AND
DEEMED DISPOSAL: THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF SMITHFIELD FOODS, INC.**

**(2) DISTRIBUTION IN SPECIE
AND**

(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Shareholders**



Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular and a letter of recommendation from the Independent Board Committee to the Shareholders is set out on pages 25 to 26 of this circular. A letter of advice from Somerley Capital Limited to the Independent Board Committee and the Shareholders is set out on pages 27 to 52 of this circular.

A notice convening the EGM to be held at Emerald I & II, Level 8, The Ritz-Carlton, Hong Kong, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 6 December 2024 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com).

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 4:00 p.m. on Wednesday, 4 December 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

References to time and dates in this circular are to Hong Kong time and dates.

18 November 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles of Association”	the articles of association of the Company, as amended and adopted from time to time
“associate”	has the meaning as ascribed thereto in the Listing Rules
“Assured Entitlement”	the assured entitlement with which the Company currently intends to provide the Shareholders by way of a distribution in specie of existing Smithfield Shares or cash alternative (subject to certain circumstances as described in the paragraph headed “6. Assured Entitlement and Distribution in Specie” in the letter from the Board)
“Board”	the board of the Directors
“BVI”	the British Virgin Islands
“Chang Yun”	Chang Yun Holdings Limited (運昌控股有限公司), a business company incorporated with limited liability under the laws of the BVI on 12 April 2010 and one of the Controlling Shareholders
“China Business”	the businesses of the Group operated in China, which comprises (i) primarily the business operated under Shuanghui Development, whose principal businesses are livestock breeding, livestock slaughtering, manufacture and sale of packaging materials and meat products; and (ii) to a smaller extent, the businesses in China operated by the PRC subsidiaries of the Company other than Shuanghui Development primarily include provision of cold-chain logistics and supply chain management services, operation of cold storage and distribution business and production and sale of biological pharmaceutical materials through its unlisted subsidiaries
“Company” or “WHG”	WH Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith and Sure Pass
“Director(s)”	the director(s) of the Company

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“Distribution in Specie”	the proposed distribution of a special dividend to the Shareholders by way of the distribution in specie of certain Smithfield Shares held by the Company or cash alternative, in proportion to their respective shareholdings in the Company, as further detailed in the paragraph headed “6. Assured Entitlement and Distribution in Specie” in the Letter from the Board in this circular
“EGM”	the extraordinary general meeting of the Company to be held at Emerald I & II, Level 8, The Ritz-Carlton, Hong Kong, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 6 December 2024 at 4:00 p.m. for the purpose of considering and, if thought fit, approving the Proposed Spin-off and the Distribution in Specie
“Europe Business”	the businesses operated by the Group in Europe
“Group”	the Company and its subsidiaries
“Heroic Zone”	Heroic Zone Investments Limited (雄域投資有限公司), a business company incorporated with limited liability 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, 11 July 2016 and 27 October 2024 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 business company incorporated with limited liability under the laws of BVI on 6 September 2013 and one of the Controlling Shareholders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed by the Company to advise the Shareholders in respect of the terms of the Proposed Spin-off and the Distribution in Specie

DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the terms of the Proposed Spin-off and the Distribution in Specie
“independent third party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	11 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PN15”	Practice Note 15 of the Listing Rules
“Post Spin-off Group”	the Group after completion of the Proposed Spin-Off, being the Company and its subsidiaries excluding the Smithfield Group
“Post Spin-off Group Business”	the principal business operated by the Post Spin-off Group, including (i) the China Business; and (ii) the Europe Business
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed spin-off of Smithfield involving the Smithfield Offering and the proposed separate listing of the Smithfield Shares on the U.S. Exchange
“Rise Grand”	Rise Grand Group Limited (興泰集團有限公司), a business company incorporated with limited liability under the laws of the BVI on 3 July 2007 and one of the Controlling Shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“SEC”	the Securities and Exchange Commission of the United States of America
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shuanghui Business”	the business operated under Shuanghui Development
“Shuanghui Development”	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), a company established under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000895)
“Smithfield”	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the U.S. and an indirect wholly-owned subsidiary of the Company
“Smithfield Group”	Smithfield and its subsidiaries
“Smithfield Offering”	the offering of Smithfield Shares on the U.S. Exchange to be registered with the SEC
“Smithfield Share(s)”	the shares of Smithfield, including the new share(s) to be issued by Smithfield
“Stock Connect”	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“Stock Connect Investor(s)”	the PRC southbound trading investor(s) holding the Company’s securities through the Stock Connect
“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
“Takeovers Code”	the Code on Takeovers and Mergers as amended from time to time
“U.S.”	the United States of America
“U.S. and Mexico Business”	the businesses operated by the Group in the U.S. and Mexico
“U.S. Exchange”	New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ) in the U.S.

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the U.S.
“Xing Tong”	Xing Tong Limited (興通有限公司), a business company incorporated with limited liability under the laws of the BVI on 10 June 2016 and one of the Shareholders
“%”	per cent



WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

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

Registered Office:

Maples Corporate Services Limited
PO Box 309, Umland 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

18 November 2024

To the Shareholders

Dear Sir/Madam,

**(1) POSSIBLE MAJOR TRANSACTION AND
DEEMED DISPOSAL: THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF SMITHFIELD FOODS, INC
AND
(2) DISTRIBUTION IN SPECIE**

1. INTRODUCTION

References are made to the announcement of the Company dated 14 July 2024 in relation to the Proposed Spin-off.

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The Proposed Spin-off, if materialized, will constitute a disposal and a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the proposed size of the Smithfield Offering, it is expected that the highest applicable percentage ratio in respect of the Proposed Spin-off may exceed 25% but will be less than 75%. Therefore, the Proposed Spin-off, if proceeded with, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off would therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with information, among others, (i) further details of the Proposed Spin-off and the Distribution in Specie; (ii) the letter of recommendation from the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off and the Distribution in Specie; (iii) the letter from Somerley to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and the Distribution in Specie; and (iv) a notice of the EGM, to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

2. PROPOSED SPIN-OFF

(1) Background

It is currently proposed that the Proposed Spin-off will involve (i) an offering of certain number of Smithfield Shares on the U.S. Exchange; and (ii) the Distribution in Specie.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 4 October 2024 (New York time), Smithfield submitted on a confidential basis to SEC a draft registration statement for the Smithfield Offering. Smithfield still has to obtain approvals from the SEC and the U.S. Exchange before it can proceed with the Smithfield Offering, and it is in the process of obtaining the relevant approvals. The Company will make further announcement(s) in relation to the progress of the proposed Smithfield Offering as and when appropriate.

(2) Shareholding percentage of the Company in Smithfield immediately before and after the Proposed Spin-off

As at the Latest Practicable Date, Smithfield is a wholly owned subsidiary of the Company.

Based on the Board's preliminary estimate, the Smithfield Offering is anticipated to represent an offering of up to 20% of Smithfield Shares on a fully diluted basis which will be effected by way of an issue of new shares by Smithfield and/or a sale of existing Smithfield Shares by WHG. Accordingly, immediately upon completion of the

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Smithfield Offering, the Company's shareholding in Smithfield is expected to decrease to approximately 80% to the maximum extent, and Smithfield will remain as a subsidiary of the Company.

In relation to the potential sale of existing Smithfield Shares by WHG under the Smithfield Offering, it is expected that such sale of Smithfield Shares, if any, would not exceed 60% of the total number of Smithfield Shares being made available under the Smithfield Offering. The proportion of Smithfield Shares being offered for subscription by Smithfield and those being offered for sale by the Group will be decided by the Board and the board of Smithfield when the size of the Smithfield Offering is determined.

(3) Proceeds to be raised from the Smithfield Offering and intended use of proceeds

The offer price of the Smithfield Offering has not been fixed yet and is subject to market conditions close to the launch of the Smithfield Offering and determined by a book-building process organized by the underwriters of the Smithfield Offering and to be agreed by Smithfield. The underlying pre-money valuation of the Smithfield Group at the Smithfield Offering is currently expected to be no less than the net asset value of Smithfield under IFRS as of 30 September 2024, which is US\$5.38 billion. In determining the final offer price, Smithfield will take into account, among other things, the prevailing stock market conditions, investors' demand of Smithfield Shares, Smithfield's future prospects and those of its industry in general, its sales, earnings and certain other financial and operating information in recent periods, and the earnings multiples, market prices of securities, and certain financial and operating information of companies engaged in activities similar to Smithfield. Investors should be aware that the final offer price will be determined after the launch of the Smithfield Offering based on several factors, some of which are beyond the control of Smithfield and the underwriter(s) of the Smithfield Offering.

The expected net proceeds from the Smithfield Offering cannot be determined yet at this stage as the final structure of the Proposed Spin-Off, the exact offer price and the expected size of the Smithfield Offering are not determined. Smithfield currently expects to use the net proceeds from the Smithfield Offering for general corporate purposes including capital investments in infrastructure, automation, and packaged meats capacity expansions. The Company currently intends to use the net proceeds to be received from the Smithfield Offering for general working capital purposes.

The Company will make further announcement(s) as and when appropriate when the information relating to the final offer price and expected net proceeds of the Smithfield Offering is available. The Company will further comply with the requirements of the Listing Rules if the final offer price of the Smithfield Offering results in the Proposed Spin-off falling within a higher classification of notifiable transaction as defined under the Listing Rules.

LETTER FROM THE BOARD

(4) Conditions of the Proposed Spin-off

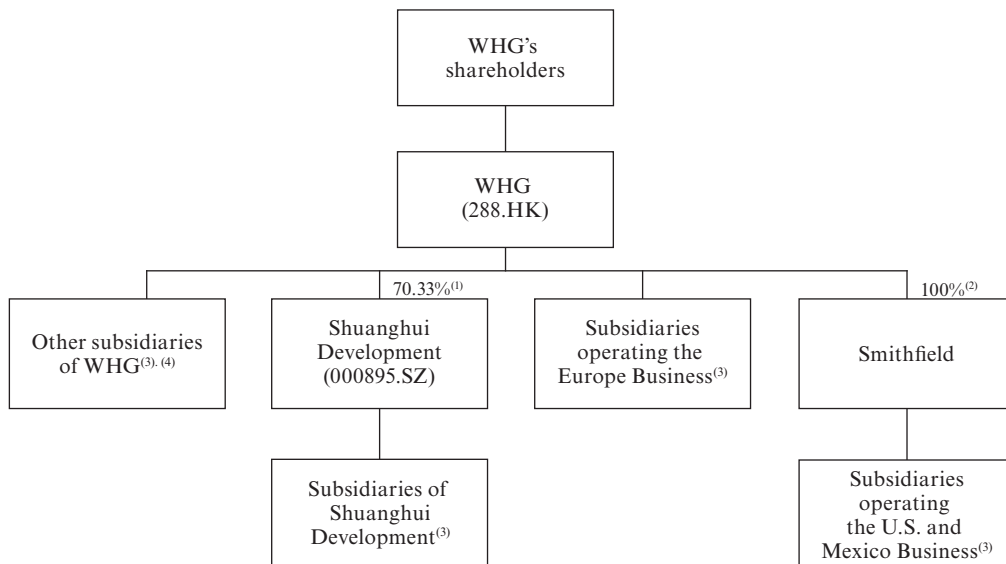
The Proposed Spin-off will be conditional upon, among other things, the following conditions:

- (i) the effectiveness of the registration statement to be filed by Smithfield with the SEC;
- (ii) the approval by the U.S. Exchange for the shares of Smithfield to be listed on the U.S. Exchange; and
- (iii) the obligations of the underwriter(s) under the underwriting agreements to be entered into between, among others, the underwriter(s), Smithfield and the Company (if applicable) in connection with the Smithfield Offering becoming unconditional, and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the date and time to be specified therein.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company when appropriate. As of the Latest Practicable Date, none of the conditions has been fulfilled.

(5) Shareholding effects of the Proposed Spin-off

The simplified shareholding and group structure of the Smithfield Group and the Post Spin-off Group immediately before the completion of the Proposed Spin-off is set out as follows:



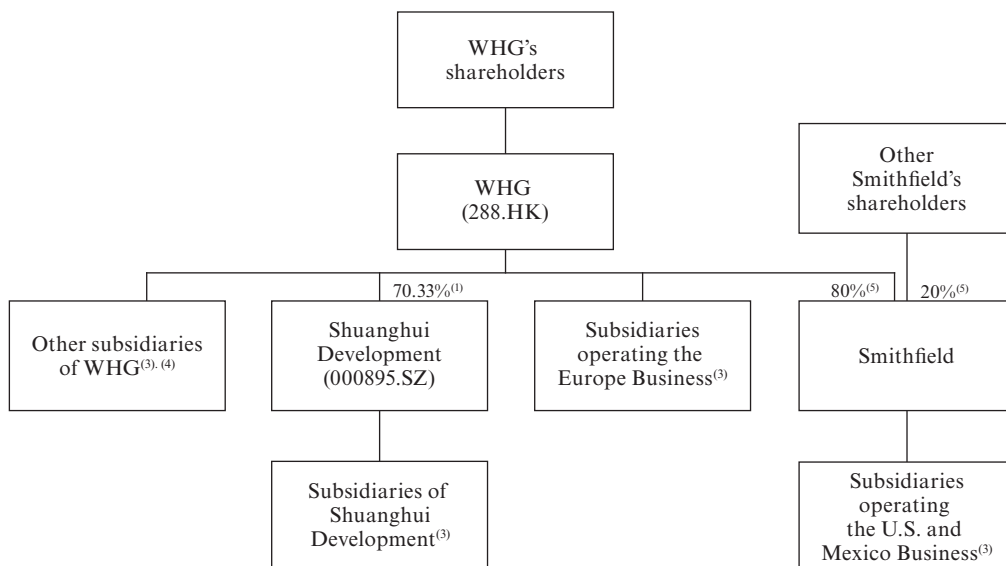
LETTER FROM THE BOARD

Notes:

1. Shuanghui Development is indirectly owned as to 70.33% by WHG. Shuanghui Development is directly owned as to 70.33% by Rotary Vortex Limited (a limited liability company incorporated in Hong Kong), a wholly owned subsidiary of Glorious Link International Corporation (a business company incorporated with limited liability in the BVI), which is in turn wholly owned by WHG.
2. As at the Latest Practicable Date, Smithfield is an indirect wholly owned subsidiary of the Company. Smithfield is directly owned as to 100% by United Global Foods (US) Holdings, Inc. (a corporation incorporated in the Commonwealth of Virginia, the U.S.), which is an indirect wholly owned subsidiary of Rotary Vortex Limited. Rotary Vortex Limited is in turn an indirect wholly owned subsidiary of WHG.
3. Include both wholly owned and non-wholly owned subsidiaries. None of these subsidiaries are separately listed on any stock exchange.
4. These other subsidiaries of WHG comprise (i) PRC subsidiaries operating the part of the China Business other than the Shuanghui Business; and (ii) non-PRC subsidiaries which mainly include investment holding and management companies of the Group, including subsidiaries in Singapore and Hong Kong. The Singapore subsidiary is principally engaged in the trading of meat and other food products in Singapore.

The businesses operated by these subsidiaries of WHG will continue to be part of the Post Spin-off Group Business after completion of the Proposed Spin-off.

The simplified shareholding and group structure of the Smithfield Group and the Post Spin-off Group immediately after the completion of the Proposed Spin-off is set out as follows:



Notes:

Please refer to the notes 1 to 4 above.

LETTER FROM THE BOARD

5. On the basis that the Smithfield Offering is anticipated to represent an offering of up to 20% of Smithfield Shares on a fully diluted basis. The final size of the Smithfield Offering is not determined yet at this stage.

3. FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF

It is expected that Smithfield will remain as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of Smithfield will still be consolidated into the Company's consolidated financial statements.

The following estimates the financial impact of the Proposed Spin-off on the Group on the basis of the current structure of the Proposed Spin-off which is subject to finalization and is for illustration purposes only. The analysis below does not purport to represent how the financial position of the Group will be upon completion of the Proposed Spin-off:

Earnings

The Proposed Spin-off and the Smithfield Offering will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in Smithfield. It is expected that there would be no gain or loss on the deemed disposal credited or charged to the Company's consolidated statement of profit or loss upon the completion of the Proposed Spin-off and the Smithfield Offering. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received will be recorded in equity attributed to the shareholders of the Company. In addition, as the proportion of the Company's shareholding in Smithfield will be diluted immediately after the completion of the Proposed Spin-off and the Smithfield Offering, it is expected that the earnings attributable to the shareholders of the Company will decrease while the earnings attributable to non-controlling interests of the Company will increase.

Assets and liabilities

The Proposed Spin-off and the Smithfield Offering, which is expected to involve the issue of new shares of Smithfield and the sale of the Smithfield Shares by the Post Spin-off Group for cash, will increase the amount of cash recorded in the consolidated statement of financial position of the Company and the total assets of the Group correspondingly. The Proposed Spin-off and the Smithfield Offering will not affect the liabilities of the Group. However, the Proposed Spin-off and the Smithfield Offering will raise funds and increase the net asset value of the Group.

4. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board (including the independent non-executive Directors) consider the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole. On the one hand, both the Company and the Smithfield Group consider the Proposed Spin-off could better reflect the value of Smithfield Group on its own merits and improve its operational and financial transparency through which investors

LETTER FROM THE BOARD

would be able to appraise and assess the performance and potential of Smithfield Group separately and distinctly from those of the Post Spin-off Group. On the other hand, the Proposed Spin-off would enable investors to better value the Company with more visibility to the fair market value of the Smithfield Group. The Directors further consider that a separate listing status for Smithfield Group will be beneficial to the Company for the following reasons:

- (i) *Resource allocation.* The Proposed Spin-off will enable the Company to engage in more focused development and strategic planning, allocating resources more efficiently for the respective businesses given their distinctive geographic focus and different market environment;
- (ii) *Geographic focus.* Through the Proposed Spin-off, the Smithfield Group and the Post Spin-off Group could focus on delineating geographic markets of their respective operations and enhance the flexibility to capitalize on the unique growth opportunities in their respective core markets. The Proposed Spin-off enables the Post Spin-off Group and the Smithfield Group to adopt tailored business strategies for the respective businesses and be more responsive to market changes and opportunities specific to the businesses of the relevant group. Accordingly, the management team will be well positioned for continued expansion and market share growth in their respective areas;
- (iii) *Fundraising platform.* The Proposed Spin-off will create separate fundraising platforms for the Smithfield Group and the Post Spin-off Group, which will increase their respective financial flexibility and enhance their ability to maintain healthy cash flows to support sustainable growth. A separate listing on the U.S. Exchange will enable the Smithfield Group to directly and independently access equity capital markets in the future should the need arise. A separate listing of the Smithfield will also enable it to issue publicly listed equity securities as consideration which would also provide the Smithfield Group with more flexibility in future M&A transactions;
- (iv) *Enhance valuation.* The Proposed Spin-off will be conducive to improving operation management, financial transparency and corporate governance of the Smithfield Group and the Post Spin-off Group, providing shareholders and potential investors with clearer business and financial positions. Such improvements will help to build investors' confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Post Spin-off Group and the Smithfield Group, and will be critical to realizing a fair and reasonable valuation of the Company's different businesses in the capital markets, so that the value of the Company's core assets could be fully reflected to improve the overall market value of the Company and therefore maximize shareholder value. In particular, the Proposed Listing of the Smithfield Group is expected to help realize and enhance the value of Smithfield under a separate standalone listing platform, as investors in America will have a better understanding of the Smithfield Group Business focusing on the American and Mexican markets;

LETTER FROM THE BOARD

- (v) *Enhance management.* The Proposed Spin-off is expected to reinforce the management ability of the Post Spin-off Group and the Smithfield Group, allowing independent management teams to better align interests and focus more effectively on their respective businesses, improve their abilities to recruit, motivate and retain key talents (including the flexibility to incentivize their employees through stock-based compensation of the Smithfield Group); and
- (vi) *Enhance corporate profile.* The Proposed Spin-off will enhance the business profile and market influence of Smithfield Group and its enhanced market reputation and credibility can in turn strengthen the Smithfield Group's capability to deal with business partners, expand customer base, and will be better positioned to capture market and business opportunities in the future.

5. INFORMATION ON THE SMITHFIELD GROUP AND THE POST SPIN-OFF GROUP

Business overview

The Company is a limited liability company incorporated in the Cayman Islands, the shares of which have been listed on the Main Board of the Stock Exchange since 5 August 2014. As at the Latest Practicable Date, the Group is principally engaged in the production and sales of packaged meats and fresh pork.

As at the Latest Practicable Date, the Group principally operates the following three segments of business in three geographical regions, namely, China, the U.S. and Mexico, and Europe:

- (i) Packaged meats — represents production, wholesale and retail sales of low temperature and high temperature meat products (the “**Packaged Meats Business**”);
- (ii) Pork — represents slaughtering, wholesale and retail sales of fresh pork products and frozen pork products and hog farming (the “**Pork Business**”); and
- (iii) Others — represents certain ancillary businesses which include production and sale of poultry products and ancillary products such as flavouring ingredients and natural casings, 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 (the “**Other Business**”).

LETTER FROM THE BOARD

As part of the preparation for the Proposed Spin-off, the Europe Business previously operated under Smithfield has been transferred to the Post Spin-off Group and such transfer has been completed in August 2024 (the “EU Carve-out”). Following the Proposed Spin-off, the Smithfield Group will principally engage in the U.S. and Mexico Business (i.e. the Packaged Meats Business, the Pork Business and the Other Business operated in the U.S. and Mexico).

Following the completion of the Proposed Spin-off, the Post Spin-off Group will retain a sufficient level of operations and sufficient assets to support its separate listing status and satisfies the requirements under Chapter 8 of the Listing Rules (including the minimum profit requirement under Rule 8.05) as required under the PN 15. The Post Spin-off Group will, after the completion of the Proposed Spin-off, continue to be engaged in the Post Spin-off Group Business.

Key financial information of the Smithfield Group

Smithfield is a corporation incorporated in the Commonwealth of Virginia, the U.S.. As at the Latest Practicable Date, Smithfield was a wholly owned subsidiary of the Company and the Smithfield Group was principally engaged in the operation of the U.S. and Mexico Business.

Set out below is the financial information of Smithfield Group (i.e. Smithfield Group’s operations of the U.S. and Mexico Business) prepared in accordance with IFRS for the two financial years ended 31 December 2023:

	For the year ended 31 December 2022	For the year ended 31 December 2023
	<i>US\$’million</i>	<i>US\$’million</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	928	(106)
Profit/(loss) after taxation	724	(70)

As at 30 September 2024, the unaudited net asset value of the Smithfield Group was approximately US\$5.38 billion.

LETTER FROM THE BOARD

Clear business delineation between the business of the Post Spin-off Group and Smithfield Group

Upon the completion of the Proposed Spin-off, the Smithfield Group will principally engage in the U.S. and Mexico Business whilst the Post Spin-off Group will principally engage in the Post Spin-off Group Business, comprising primarily the China Business and the Europe Business. As such, there is a clear delineation of businesses between the Smithfield Group and the Post Spin-off Group. The table below sets out the details on the business delineation between the Smithfield Group and the Post Spin-Off Group:

	China Business	Post Spin-off Group Business Europe Business	Smithfield Group Business (i.e. the U.S. and Mexico Business)
Products and services			
Major Products and services	<ul style="list-style-type: none"> — <u>Packaged Meats Business</u>: shelf-stable and refrigerated hams and sausages, as well as Chinese-styled ready-to-eat products. — <u>Pork Business</u>: pork and hog produced in China. — <u>Other Business</u>: (i) production and processing of poultry; (ii) operation of logistics parks in China specializing in cold-chain transportation and warehousing; (iii) production and sales of biological pharmaceutical and packaging materials, and (iv) operation of a finance company as well as operation of a chain of food retail stores. 	<ul style="list-style-type: none"> — <u>Packaged Meats Business</u>: hot-dogs, sausages, smoked hams, and convenience products. — <u>Pork Business</u>: pork and hog produced in Europe (including Poland, Romania, Hungary, Slovakia and the United Kingdom). — <u>Other Business</u>: (i) processing of poultry; and (ii) production and sales of biological pharmaceutical materials. 	<ul style="list-style-type: none"> — <u>Packaged Meats Business</u>: bacon, hams, sausages, hot-dogs, and deli meat products. — <u>Pork Business</u>: pork and hog produced in the U.S. and Mexico. — <u>Other Business</u>: production and sales of biological pharmaceutical materials.
Key Brand(s)	— Shuanghui.	— Berlinki, Morliny, Krakus, Mecom and Argal.	— Smithfield, Farmland, Eckrich, Kretschmar and Nathan's Famous.

LETTER FROM THE BOARD

China Business

Post Spin-off Group Business Europe Business

Smithfield Group Business (i.e. the U.S. and Mexico Business)

Distribution and sales channel¹

- Packaged Meats Business: most of the products are sold domestically in China, mainly through domestic third-party distributors in China and the sales network covers most of the provinces in China. The sales channels also include domestic retail stores, wholesale markets, e-commerce and food services.
 - Pork Business: all the pork production are sold domestically in China, mainly through domestic third-party distributors and the sales network covers most of the provinces in China. The sales channels also include domestic authorized dealers, wet markets, retail stores and other processors.
 - Other Business: most of poultry products and biological pharmaceutical materials are sold domestically.
 - o poultry products: mainly to other domestic processors, authorized dealers, wet markets and food services, and
 - o biological pharmaceutical materials: mainly sold to several direct customers in the food and casing industry domestically.
- Packaged Meats Business: about the majority of the products were sold domestically in Europe, and to a smaller extent, some of the products are for exports, including exports to the U.S. (i.e. the Smithfield Group)³. The sales channels include local discount stores, wholesalers, food service companies, domestic key accounts, modern retailers, traditional markets and other industrial processors in Europe.
 - Pork Business: most of the pork production under the Europe Business were for domestic consumption.
 - Other Business: most of the poultry products were sold domestically in Europe, and to a smaller extent, some of the poultry products were exported to the U.S. (i.e. the Smithfield Group)³.
 - o poultry products are sold to domestic key accounts, modern retailers, wholesalers, traditional markets, other industrial processors and exports.
- Packaged Meats Business: most of the products were sold domestically in the U.S.
 - Pork Business: the majority of the pork production under the U.S. and Mexico Business were for domestic consumption, and to a smaller extent, some of the pork production is for exports, including exports to China (i.e. the Post Spin-off Group)³.
 - Other Business: the majority of the biological pharmaceutical materials were sold domestically.

LETTER FROM THE BOARD

China Business	Post Spin-off Group Business Europe Business	Smithfield Group Business (i.e. the U.S. and Mexico Business)
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Research and development (“R&D”)²

The R&D activities of the China Business are carried out in China, including (among others) establishment of national-level enterprise technology centers, provincial-level technology innovation centers and other R&D platforms and collaboration with universities and institutes in China.

The R&D activities of the Europe Business are carried out in Europe, including (among others) collaboration with leading feed research institutes and universities across Europe.

The R&D activities of the Smithfield Group Business are carried out in the U.S. and Mexico, and the R&D activities are performed across the Smithfield Group’s organization, ranging from animal feed and genetics on the Smithfield Group’s farm operations to finished good product offerings for consumers in the pork and packaged meats operations.

Production and manufacturing

The production and manufacturing facilities of the China Business are primarily located in China.

The production and manufacturing facilities of the Europe Business are primarily located in Europe.

The production and manufacturing facilities of the Smithfield Group Business are primarily located in the U.S. and Mexico.

Suppliers

— Packaged Meats Business and Pork Business: the major source of raw materials, primarily hogs, grains and meat and other supplies (such as condiments and packaging materials), are sourced from China domestic suppliers.

— The Post Spin-off Group also imports certain pork products from the U.S. (including the Smithfield Group) for further processing and sale in China.³

— Packaged Meats Business and Pork Business: the primary raw materials of the business, live hogs, grains (except soya), poultry as well as fresh meat, are sourced domestically in Europe.

— Other Business: primarily sources of live poultry are sourced from local livestock producers.

— Packaged Meats Business and Pork Business: the primary raw materials of the business, grains, hogs, and fresh meat are sourced domestically in the U.S. and Mexico.

The Europe Business of the Post Spin-off Group supplies limited amount of products to the Smithfield Group in the U.S..³

— Other Business: the suppliers of “Other Business” of the U.S. and Mexico Business (namely production and sales of biological pharmaceutical materials) are mostly domestic suppliers.

LETTER FROM THE BOARD

Notes:

1. The sales and procurement functions of the Smithfield Group and the Post Spin-off Group function independently in terms of geographical location, personnel and daily operation.
2. The R&D functions of the Smithfield Group and the Post Spin-off Group will function independently in terms of geographical location, personnel, equipment, R&D process and the associated intellectual properties resulting from the R&D activities.
3. Certain of these transactions involve transactions between the Post Spin-Off Group and the Smithfield Group. The relevant transactions between the Post Spin-off Group and the Smithfield Group will not affect the business delineation between the Smithfield Group and the Post Spin-off Group in any material respect, considering (i) the exports by the Packaged Meat Business and the Other Business of the Post Spin-off Group's Europe Business to the U.S., and the export by the Pork Business of the Smithfield Group's U.S. and Mexico Business to China, are relatively insignificant; and (ii) in relation to the exports by the Other Business of the Post Spin-off Group's Europe Business to the U.S., the Other Business of the Post Spin-off Group only accounted for a relatively small proportion of the business of the Post Spin-off Group as compared with the Packaged Meat Business and the Pork Business of the Post Spin-off Group. Please also refer to the section headed "Business Independence" for further details.

Management and Administration Independence

As at the Latest Practicable Date, the proposed board of directors of Smithfield following the Proposed Spin-off is expected to comprise a total of nine directors, including Mr. WAN Long, Mr. WAN Hongwei, Mr. GUO Lijun, Mr. HE Shenghua, Mr. Charles Shane SMITH, Mr. ZHOU Xiaoming and three independent directors. The full list of directors of Smithfield after the completion of the Proposed Spin-off is not finally determined at this stage, as Smithfield is still in the process of identifying its independent directors.

Even though there is expected to be certain directors of Smithfield who have roles in the Post Spin-off Group, they are expected to be focusing on the overall strategic planning of the Smithfield Group and will not be involved in the day-to-day management and operation of the Smithfield Group. It is expected that no more than half of board of directors of Smithfield following the Proposed Spin-off will be directors who have roles in the Post Spin-off Group.

Smithfield will appoint no less than three independent directors who will not be the Company's directors nor members of senior management of the Post Spin-off Group. Such independent directors of Smithfield will provide checks and balances over the decision-making of the board of directors of the Smithfield Group on significant transactions and other transactions involving any actual or potential conflict of interests.

Smithfield will adopt corporate governance measures to manage potential conflicts of directors' interests after the completion of the Proposed Spin-off in accordance with the requirements of the applicable laws and regulations.

LETTER FROM THE BOARD

The Board will operate and resolve all actual or potential conflicting matters involving the business of the Smithfield Group independently. For matters where overlapping directors may have actual or potential conflicts of interests, he/she will abstain from voting on the relevant board resolutions in compliance with the respective articles of the association of the Company and Smithfield.

Moreover, Smithfield will have a separate management team and separate functional departments including accounting, internal audit, administration, human resources, legal and company secretarial departments upon its listing. Therefore, all essential administration and daily operations of the Smithfield Group will be carried out by a team of staff employed by the Smithfield Group independently of the Company after the Proposed Spin-off.

Business Independence

It is currently expected that after the completion of the Proposed Spin-off, the Smithfield Group will continue to conduct certain transactions with the Post Spin-off Group, including (i) sale and purchase of pork products, packaged meats and others and (ii) licensing of Smithfield trademarks. Each of such transactions will be conducted on an arm's length basis and on normal commercial terms in the ordinary and usual course of business of each of the Smithfield Group and the Post Spin-off Group pursuant to the applicable laws and regulations. Such transactions are not expected to give rise to any business independence or reliance issues, and are in the interests of the shareholders of the Company and Smithfield as a whole, for the following reasons: (i) such transactions are mutually beneficial to both the Post Spin-off Group and the Smithfield Group; and (ii) the transaction amount of such transactions has not been significant, and only accounted for a small amount of the revenue and/or the costs of sales of Post Spin-off Group and/or Smithfield Group (as applicable) for the year ended 31 December 2023.

Separately, the Smithfield Group will also provide certain transitional services, including financial reporting services (through 31 March 2025) and tax advisory services (for one year from August 2024, the completion of the EU Carve-out), to the Europe Business of the Post Spin-off Group, for the purpose of facilitating a smooth transition following the completion of the EU Carve-out. These arrangements are transitional in nature and such service fee to be incurred in this respect would be immaterial for both the Smithfield Group and the Post Spin-off Group.

Since Smithfield would remain as a subsidiary of the Company immediately upon the completion of the Proposed Spin-off and is not expected to become a connected subsidiary of the Company pursuant to the current structure of the Proposed Spin-off, the expected continuing transactions would not constitute connected transactions of the Company under Chapter 14A of the Listing Rules upon the completion of the Proposed Spin-off. In the event Smithfield (or otherwise any members of the Smithfield Group) becomes a connected subsidiary of the Company under Chapter 14A of the Listing Rules, the Company will comply with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

Financial Independence

Smithfield Group has established its own finance department with a team of independent financial staff responsible for financial management, accounting, reporting, funding and internal control functions, which is independent from the Post Spin-off Group.

As at the Latest Practicable Date, all amounts due from or due to the Smithfield Group not arising out of the ordinary course of business have been fully settled, and all pledges and guarantees provided by the Smithfield Group on the Post Spin-Off Group's borrowing or by the Post Spin-Off Group on borrowings of the Smithfield Group (if any) have been fully released. On this basis, Smithfield will be financially independent of the Company at the time of its listing.

6. ASSURED ENTITLEMENT AND DISTRIBUTION IN SPECIE

Under PN15, the Company is required to give due regard to the interest of the Shareholders by providing them with an assured entitlement to the shares of Smithfield. It is currently proposed that the Company will provide the Shareholders with an assured entitlement by way of a distribution in specie of existing shares of Smithfield or cash alternative, in proportion to their respective shareholdings in the Company, subject to the circumstances described below where certain Shareholders may not be able to elect to receive Smithfield Shares and so will only receive the cash distribution instead.

Based on the Board's preliminary estimate and expectation, it is proposed that the Shareholders will be entitled to dividends in specie of Smithfield Shares held by the Company, representing approximately 0.35% to 0.45% of the total issued share capital of Smithfield as enlarged by the Smithfield Offering. The Board considers that the Distribution in Specie has given due regard to the interest of the Shareholders because (i) the Distribution in Specie enables the Shareholders to participate in and benefit from the Proposed Spin-off without any payment on their part; and (ii) the size of the distribution in specie has been determined with reference to, among other things, the shareholding in Smithfield intended to be maintained by the Company (that Smithfield will remain as a subsidiary of the Company immediately after the completion of the Proposed Spin-off) and the distribution ratios adopted by other comparable companies listed on the Main Board of the Stock Exchange for the spin-off and separate listing of their subsidiaries in the United States (including, among others, Geely Automobile Holdings Limited (stock code: 175) spin off of ZEEKR Intelligent Technology Holding Limited (ZK.US): 0.18%, Genscript Biotech Corporation (stock code: 1548) spin off of Legend Biotech Corporation (LEGN.US): 0.50%, Kingsoft Corporation Limited (stock code: 3888) spin off of Kingsoft Cloud Holdings Limited (KC.US): 0.40%, Tencent Holding Limited (stock code: 700) spin-off of Tencent Music Entertainment Group (TME.US): 0.14% and Melco International Development Limited (stock code: 200) spin-off of Studio City International Holdings Limited (MSC.US): 0.27%). Therefore, the Board considers that the proposed ratio is fair and reasonable. The distribution is conditional upon the Smithfield Offering becoming unconditional in all respects. The above ratio is a preliminary estimate based on

LETTER FROM THE BOARD

the expected size of the distribution and subject to finalized distribution arrangement. The Company will make further announcement(s) in relation to detailed arrangement of the distribution as and when appropriate.

Under Rule 13.36(2) of the Listing Rules, where a listed issuer proposes to distribute securities to its shareholders, it may exclude relevant overseas shareholders in circumstances where the directors consider the exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Accordingly, subject to the Company obtaining relevant legal advice, Shareholders located in certain jurisdictions may be excluded from the right to receive Smithfield Shares and could only receive cash instead. Shareholders holding less than a specified minimum number of Shares are expected to only receive cash (to avoid fractions). Any Shareholder wanting to receive Smithfield Shares would need to establish an appropriate securities account from which the Shareholder could receive and trade those securities.

As at the Latest Practicable Date, pursuant to Article 24 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), if the Stock Connect Investors receive any securities not listed on the Stock Exchange, they will not be allowed to buy or sell such securities through the Stock Connect. Considering the practical difficulty of the Stock Connect Investors in realizing the benefit of the distribution of Smithfield Shares, Stock Connect Investors will not be able to elect to receive Smithfield Shares and so will only receive the cash distribution instead, the amount of which is subject to finalized distribution arrangement determined by the Company. This arrangement is in accordance with Question No. 4 of the Frequently Asked Questions Series 29 released by the Stock Exchange on 17 November 2014 and last updated on 13 July 2018.

Pursuant to article 24.19 of the Articles of Association, the distribution of specific assets as a dividend to shareholders requires the approval of the Shareholders by way of an ordinary resolution. As such, the Distribution in Specie will be presented for approval of the Shareholders at the EGM by way of an ordinary resolution.

As at the Latest Practicable Date, the exact scale and detailed terms of the Assured Entitlement have not been finalized at this stage as they will depend on market conditions and size of the Smithfield Offering. Further details of the Assured Entitlement, including (among others) the exact scale of the distribution, the details for qualifying lot(s) and entitlement and the expected timetable for the distribution, will be announced by the Company in due course.

7. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Smithfield is an indirect wholly owned subsidiary of the Company. Following completion of the Proposed Spin-off, it is expected that Smithfield will remain as a subsidiary of the Company. The Proposed Spin-off, if materialized, will constitute a disposal and a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the proposed size of the Smithfield Offering, it is expected that the highest applicable percentage ratio in respect of the

LETTER FROM THE BOARD

Proposed Spin-off may exceed 25% but will be less than 75%. Therefore, the Proposed Spin-off, if proceeded with, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off would therefore subject to the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Spin-off and the Distribution in Specie. As such, no Shareholder is required to abstain from voting on the EGM resolution approving the Proposed Spin-off.

The final structure of the Proposed Spin-off and the listing of the Smithfield Shares are subject to, among other things, the approval of relevant authorities (including the U.S. Exchange and the SEC), market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the listing of the Smithfield Shares will take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

8. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 3 December 2024 to Friday, 6 December 2024, both days inclusive. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with Computershare at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 2 December 2024.

9. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.6 of the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 4:00 p.m.

LETTER FROM THE BOARD

on Wednesday, 4 December 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so desire.

As at the Latest Practicable Date, Heroic Zone has control over approximately 39.20% of the voting rights in the Shares (comprising the interests in the Company held by Chang Yun (4.92%), High Zenith (2.74%), Sure Pass (4.47%) and Heroic Zone (27.08%) by virtue of the voting undertakings and arrangement in place between these four entities). Heroic Zone is wholly owned by Rise Grand, whose beneficial interest is owned by a group of existing or former employees of Shuanghui Development and its associated entities of the share plan under Heroic Zone. Pursuant to the entrustment arrangement under such share plan, three individual trustees, namely Messrs. Zhang Liwen, Ma Xiangjie and Liu Songtao, are entrusted to exercise the voting rights attached to 100% equity interest in Rise Grand in joint tenancy.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, there is (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website: www.computershare.com/hk/contact
Tel: (852) 2862 8555
Fax: (852) 2865 0990

The Shareholders are also welcome to contact the Company for enquiries relating to the resolutions at the EGM or any matters for communication with 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.

10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular. Your attention is also drawn to the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Shareholders set out on pages 27 to 52 of this circular.

The Board (including the independent non-executive Directors) recommends that the Shareholders should vote in favour of the ordinary resolution regarding the Proposed Spin-Off and the Distribution in Specie as set out in the notice of the EGM.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
WH Group Limited
Wan Long
Chairman



WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

18 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) POSSIBLE MAJOR TRANSACTION AND
DEEMED DISPOSAL: THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF SMITHFIELD FOODS, INC.
AND
(2) DISTRIBUTION IN SPECIE**

We refer to the circular dated 18 November 2024 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Shareholders on whether the terms of the Proposed Spin-off and the Distribution in Specie are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Somerley has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect. We wish to draw your attention to the letter of advice issued by Somerley which is set out on pages 27 to 52 of the Circular.

Having considered the advice of Somerley, we are of the view that the terms of the Proposed Spin-off and the Distribution in Specie are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution regarding the Proposed Spin-off and the Distribution in Specie as set out in the notice of the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. HUANG Ming

Mr. LAU, Jin Tin Don

Ms. ZHOU Hui

Independent non-executive Directors

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

18 November 2024

*To: the Independent Board Committee and
the Shareholders*

Dear Sirs,

**(1) POSSIBLE MAJOR TRANSACTION AND
DEEMED DISPOSAL: THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF SMITHFIELD FOODS, INC.
AND
(2) DISTRIBUTION IN SPECIE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off and the Distribution in Specie, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 18 November 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The Proposed Spin-off will involve the Smithfield Offering, an offering of up to 20% of Smithfield Shares on a fully diluted basis, and the proposed separate listing of the Smithfield Shares on the U.S. Exchange (either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ)). The Smithfield Offering will be effected by way of an issue of new shares by Smithfield and/or a sale of existing Smithfield Shares by the Company. As at the Latest Practicable Date, Smithfield is an indirect wholly owned subsidiary of the Company. Following completion of the Proposed Spin-off, the Company's shareholding in Smithfield is expected to decrease to approximately 80% to the maximum extent, and Smithfield will remain a subsidiary of the Company.

LETTER FROM SOMERLEY CAPITAL LIMITED

The Proposed Spin-off, if materialised, will constitute a disposal and/or a deemed disposal of the interest in a subsidiary of the Company under Chapter 14 of the Listing Rules. Based on the proposed size of the Smithfield Offering, it is expected that the highest applicable percentage ratio in respect of the Proposed Spin-off may exceed 25% but will be less than 75%. On this basis, the Proposed Spin-off, if proceeded with, would constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off would therefore be subject to the approval of the Shareholders under PN15 and Chapter 14 of the Listing Rules.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. On 4 October 2024 (New York time), Smithfield submitted, on a confidential basis, a draft registration statement to the SEC for the Smithfield Offering. Smithfield still has to obtain approvals from the SEC and the U.S. Exchange before it can proceed with the Smithfield Offering.

The Distribution in Specie will involve the proposed distribution of a special dividend to the Shareholders by way of the distribution in specie of certain Smithfield Shares held by the Company with a cash alternative (subject to certain circumstances as explained in the section below headed “9. Assured Entitlement and Distribution In Specie”), in proportion to their respective shareholdings in the Company. Pursuant to the Articles of Association, such distribution of specific assets as a dividend to shareholders requires the approval of the Shareholders by way of an ordinary resolution. As such, the Distribution in Specie will be presented for approval of the Shareholders at the EGM by way of an ordinary resolution.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. HUANG Ming, Mr. LAU, Jin Tin Don and Ms. ZHOU Hui, has been formed to advise the Shareholders on whether the terms of the Proposed Spin-off and the Distribution in Specie are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this regard.

As stated in the letter from the Board, no Shareholder has a material interest in the Proposed Spin-off and the Distribution in Specie which is different from other Shareholders. As such, no Shareholder is required to abstain from voting at the EGM.

During the past two years, there has been no engagement between the Company or its subsidiaries and Somerley Capital Limited. As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the “**Management**”), which we have assumed to be true, accurate and complete in all material aspects at the time they were provided and will remain so up to the time of the

LETTER FROM SOMERLEY CAPITAL LIMITED

EGM. We have reviewed, amongst others, (i) the annual reports of the Company for the years ended 31 December 2022 and 2023, (ii) the interim report of the Company for the six months ended 30 June 2024, (iii) the unaudited consolidated results of the Company for the nine months ended 30 September 2024, (iv) the financial information of the Smithfield Group for the three years ended 31 December 2021, 2022 and 2023 and for the nine months ended 30 September 2024, prepared under the International Financial Reporting Standards (“IFRS”) as provided by the Management, and (v) the relevant information contained in the Circular. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or the Smithfield Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with respect to the Proposed Spin-off and the Distribution in Specie, we have taken into account the principal factors and reasons set out below.

1. Background and financial information of the Group

Principal business

The Group is principally engaged in the production and sales of packaged meats and fresh pork with operations in multiple geographical regions, including (i) the U.S. and Mexico, (ii) China, and (iii) Europe. Packaged meats business (the “**Packaged Meats Business**”) refers to the production, wholesale and retail sales of low temperature and high temperature meat products, while pork business (the “**Pork Business**”) refers to the slaughtering, wholesale and retail sales of fresh pork products and frozen pork products and hog farming. In addition, the Group is engaged in certain ancillary businesses, including slaughtering and sales of poultry and ancillary products, provision of logistics and supply chain management services, as well as operation of a finance company and a chain of food retail stores (the “**Other Business**”).

In recent years, the Group completed several notable acquisitions and disposals to drive its business development or to monetarise its non-core assets, including (i) the increase in equity interest and consolidation of Granjas Carroll de Mexico S. de R.L. de C.V. (“**GCM**”), a Mexican hog farming and processing business (in 2021), (ii) the disposal of Saratoga Specialty Foods (“**Saratoga**”), which produces spices, seasonings and marinades in the U.S. (in 2022), (iii) the acquisitions of Goodies Meat Production S.R.L. (in 2023) and Argal Alimentación S.A. (in 2024), both packaged meats producers in Europe. In addition, the Group restructured certain operations in the

LETTER FROM SOMERLEY CAPITAL LIMITED

U.S. to address the challenges faced by its Pork Business, details of which are discussed in the section below headed “2. Background, financial information and prospects of the Smithfield Group”.

As at 31 December 2023, the Group has production facilities in various parts of the world, with 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 in China, the U.S. and Europe, respectively. Annual hog processing capacities in China, the U.S. and Mexico, and Europe were approximately 25.05 million heads, 30.09 million heads and 5.72 million heads, respectively in 2023.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since August 2014. The Company has a market capitalisation of approximately HK\$79.0 billion as at the Latest Practicable Date.

Financial performance

The following table sets out a summary of the consolidated statements of profit or loss of the Group for the three years ended 31 December 2021, 2022 and 2023 and for the nine months ended 30 September 2023 and 2024, prepared in accordance with the IFRS, as extracted and summarised from the Company’s annual reports, interim report and quarterly results announcement.

	Results after biological fair value adjustments				
	For the nine months ended		For the year ended		
	30 September		31 December		
	2024	2023	2023	2022	2021
	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	18,866	19,488	26,236	28,136	27,293
EBITDA ¹	2,361	1,646	2,005	3,103	2,518
Operating profit	1,795	1,047	1,471	2,093	1,966
Profit attributable to owners of the Company	1,152	585	629	1,370	1,068
Basic earnings per Share (<i>US cents</i>)	8.98	4.56	4.90	10.68	7.55

¹ Calculated based on the profit for the year/period and adding back interest, taxation, depreciation and amortisation (“**EBITDA**”)

Revenue

The revenue of the Group is mainly derived from the Packaged Meats Business and the Pork Business, accounting for over 50% and 40% of total revenue respectively during the periods under review. The revenue of the Group continued the trend of mild growth in 2021 and 2022, but decreased in 2023 due to the decrease in overall sales volume and average selling price of packaged meats and pork, in particular in the U.S. and China. In 2023, sales volume of packaged meat and pork were approximately 3.2 million metric tons and approximately 4.0 million metric tons respectively. In the first nine months of 2024, the revenue of the Group continued to decline. Sales volume of packaged meats and pork decreased by approximately 4.4% and 7.6% year-on-year to approximately 2.3 million metric tons and approximately 2.7 million metric tons respectively.

In terms of geographical regions, the Group's businesses in the U.S. and Mexico and China have been the two largest segments during the periods under review, accounting for over 50% and 30% of total revenue respectively. The Group's businesses in the U.S. and Mexico were primarily carried out through the Smithfield Group, as further discussed in the section below headed "2. Background, financial information and prospects of the Smithfield Group".

EBITDA and profit attributable to owners of the Company

EBITDA of the Group and profit attributable to owners of the Company fluctuated during the periods under review mainly due to the changes in hog raising costs, hog prices, meat value, sales volume as well as manufacturing efficiency. In 2023, EBITDA of the Group and profit attributable to owners of the Company were approximately US\$2,005 million and US\$629 million respectively, representing a substantial decrease as compared to 2022, mainly due to operating loss in Pork Business and non-occurrence of a one-off gain on disposal of Saratoga recognised in 2022.

In the first nine months of 2024, EBITDA of the Group and profit attributable to owners of the Company were approximately US\$2,361 million and US\$1,152 million respectively, representing a significant rebound as compared to those in the same period in 2023. The improvement was mainly due to the successful turnaround of the Pork Business in the U.S. and Mexico from a loss during the same period in 2023, as further discussed in the section below.

LETTER FROM SOMERLEY CAPITAL LIMITED

Financial position

The following table sets out a summary of the consolidated statements of financial position of the Group as at 31 December 2023 and as at 30 June 2024, prepared under the IFRS, as extracted and summarised from the Company's annual reports and interim report.

	As at 30 June 2024	As at 31 December 2023
	<i>US\$'million</i> (unaudited)	<i>US\$'million</i> (audited)
Property, plant and equipment	6,528	6,602
Goodwill	2,119	2,043
Biological assets	1,388	1,363
Inventories	2,921	2,919
Pledged/restricted bank deposits	66	75
Cash and bank balances	797	1,156
Other assets	<u>5,100</u>	<u>5,021</u>
 Total assets	 18,919	 19,179
 Borrowings	 3,346	 3,228
Accrued expenses and other payables	2,285	2,609
Bank overdrafts	27	—
Other liabilities	<u>2,491</u>	<u>2,767</u>
 Total liabilities	 8,149	 8,604
 Total equity	 10,770	 10,575
 Equity attributable to owners of the Company	 10,058	 9,831

As at 30 June 2024, total assets of the Group mainly comprised (i) property, plant and equipment of approximately US\$6,528 million, mainly representing the Group's production and processing facilities in the U.S., China and Europe, (ii) inventories of approximately US\$2,921 million, mainly representing meat products, such as agriculture produce harvested from biological assets and further processed food, and non-meat raw materials, such as feed grains, (iii) goodwill of approximately US\$2,119 million, the majority of which was related to the acquisition of Smithfield in 2013, and (iv) cash and bank balances of approximately US\$797 million.

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As at 30 June 2024, total liabilities of the Group mainly comprised (i) borrowings, other than bank overdrafts, of approximately US\$3,346 million, including senior unsecured notes due between February 2027 and September 2031 of approximately US\$1,981 million in aggregate and unsecured bank loans of approximately US\$1,360 million, and (ii) accrued expenses and other payables of approximately US\$2,285 million.

As at 30 June 2024, net debt to equity ratio of the Group, defined as consolidated borrowings less cash and bank balances divided by total equity, was approximately 23.9%. As at 30 June 2024, equity attributable to owners of the Company stood at approximately US\$10,058 million.

According to the 2024 third quarter results announcement of the Company, as at 30 September 2024, total assets of the Group and equity attributable to owners of the Company stood at approximately US\$19,933 million and US\$10,367 million respectively.

2. Background, financial information and prospects of the Smithfield Group

Background and business

Smithfield is a corporation incorporated in the Commonwealth of Virginia, the U.S.. It produces and distributes a wide variety of packaged meats and fresh pork products. Hogs are produced and raised by Smithfield on self-owned farms and through contracts with third-party farmers. Most of the hogs are processed into a variety of fresh pork products, which are either transferred for further processing into packaged meat products, or sold externally to domestic retail, food service and industrial customers, as well as to export markets. Packaged meats products of Smithfield are marketed under a portfolio of brands including, among others, Smithfield, Eckrich, Armour and Nathan's Famous, or are sold as private-label products, to retail and food service customers.

Smithfield was previously listed on The New York Stock Exchange between 1999 and 2013, before it was acquired and taken private by the Company at a consideration of approximately US\$4.9 billion. Smithfield became a wholly owned subsidiary of the Company upon completion of the acquisition. Since then, Smithfield has expanded through organic growth and external acquisitions, including the acquisition of Clougherty Packing, LLC, a producer and processor of pork products in the U.S. in 2016, the acquisitions of meat companies in Poland and Romania in 2017, and the acquisitions of meat processing companies in Slovakia and Hungary in 2021. In recent years, Smithfield restructured and rationalised certain operations in the U.S. in response to the increasing hog raising costs relative to pork value, including the closure of processing facility in California and the exit from certain hog farm operations in Arizona and California.

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As part of the preparation for the Proposed Spin-off, the businesses in Europe previously operated by the Smithfield Group has been transferred to the Post Spin-off Group (i.e. the Company and its subsidiaries excluding the Smithfield Group) (the “EU Carve-out”) and such transfer was completed in August 2024. The European businesses will continue to operate under the Post Spin-off Group.

Following the EU Carve-out, the Smithfield Group is principally engaged in the fresh pork and packaged meat businesses in the U.S. and Mexico.

Financial performance

The following table sets out a summary of the financial performance of the Smithfield Group (i.e. operations of the U.S. and Mexico businesses) for the three years ended 31 December 2021, 2022 and 2023 and for the nine months ended 30 September 2023 and 2024, prepared in accordance with the IFRS as provided by the Management.

	Results after biological fair value adjustments				
	For the nine months ended		For the year ended		
	30 September		31 December		
	2024	2023	2023	2022	2021
	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	10,191	10,647	14,639	16,199	15,009
EBITDA	1,153	425	482	1,579	1,216
Profit/(loss) before taxation	769	6	(106)	928	670
Profit/(loss) after taxation	605	(10)	(70)	724	525

Revenue

During the periods under review, there was insignificant fluctuation in the revenue of the Smithfield Group. Revenue in 2022 increased by approximately 7.9% to approximately US\$16,199 million, principally due to the increase in average selling prices of both packaged meats and fresh pork products, and the full-year contribution of GCM (acquired in mid-2021). The increase in average selling prices was induced by the inflationary cost pressures and a favourable shift in product mix, and supported by strong consumer demand.

In 2023, the revenue of the Smithfield Group decreased by approximately 9.6% year-on-year to approximately US\$14,639 million, affected by reductions in both sales volume and average selling price. Sales volume of the Packaged Meats Business decreased in 2023 as a result of the disposal of Saratoga and lower consumer demand. For the Pork Business, processing volume also decreased in 2023 which was partly due to the closure of a processing facility in California during the year. In addition, the average hog price and pork cut-out value in the U.S. decreased in 2023, contributing to the overall decrease in revenue.

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In the first nine months of 2024, the revenue of the Smithfield Group decreased by approximately 4.3% to approximately US\$10,191 million as compared to the corresponding period in 2023. Revenue of the Packaged Meats Business in the first nine months of 2024 remained stable as the decrease in sales volume was offset by higher average selling price. For the Pork Business, the closure of a processing facility in California during the first half of 2023 and rationalisation of production level led to a decrease in processing and sales volume.

EBITDA and profit/(loss) after taxation

The Smithfield Group recorded a strong growth in both EBITDA and profit after taxation in 2022, which increased by approximately 29.9% and 37.9% respectively to approximately US\$1,579 million and US\$724 million respectively. The strong performance in 2022 was mainly contributed by the increase in revenue and enhanced manufacturing efficiency of the Packaged Meats Business, partly offset by the increase in hog raising costs in the Pork Business. EBITDA of the Smithfield Group in 2023 decreased by approximately 69.5% as compared to that of 2022 to approximately US\$482 million, and a loss after taxation of approximately US\$70 million was recorded. The significant deterioration in performance was primarily due to the hog raising costs remaining elevated on one hand, and the pork value coming under the pressure from soft consumer demand on the other hand.

In the first nine months of 2024, EBITDA of the Smithfield Group increased by approximately 171.3% as compared to the corresponding period of 2023 to approximately US\$1,153 million. A profit after taxation of approximately US\$605 million was recorded by the Smithfield Group for the nine months ended 30 September 2024, representing a turnaround from a loss during the same period in 2023. The improvement was primarily due to the higher product values of pork, lower feed costs of hog, enhanced operation efficiency and cost controls as well as the recognition of certain employee retention tax credit in relation to COVID-19 pandemic.

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Financial position

The following table sets out a summary of the financial position of the Smithfield Group (i.e. operations of the U.S. and Mexico businesses) as at 31 December 2023 and 30 September 2024, prepared in accordance with the IFRS as provided by the Management.

	As at 30 September 2024	As at 31 December 2023
	<i>US\$'million</i>	<i>US\$'million</i>
	(unaudited)	(unaudited)
Total assets	10,496	10,804
Total liabilities	5,113	5,582
Net asset value	5,383	5,222

As at 30 September 2024, total assets of the Smithfield Group amounted to approximately US\$10,496 million, which mainly comprised (i) property, plant and equipment of approximately US\$3,077 million, mainly representing its production and processing facilities in the U.S., (ii) goodwill and intangible assets, consisting mainly of trademarks, of approximately US\$2,868 million in aggregate, (iii) inventories of approximately US\$1,702 million, mainly representing meat products, such as agriculture produce harvested from biological assets and further processed food, and non-meat raw materials, such as feed grains, (iv) biological assets of approximately US\$1,080 million, and (v) cash and bank balances of approximately US\$278 million.

As at 30 September 2024, total liabilities of the Smithfield Group amounted to approximately US\$5,113 million, which mainly comprised (i) borrowings of approximately US\$1,991 million, which mainly included senior unsecured notes due between February 2027 and September 2031 of approximately US\$1,979 million in aggregate and unsecured bank loans of approximately US\$12 million, (ii) accrued expenses and other payables of approximately US\$1,314 million, and (iii) trade and bills payables of approximately US\$566 million.

As at 30 September 2024, net asset value of the Smithfield Group stood at approximately US\$5,383 million.

As disclosed in the letter from the Board, all amounts due from or due to the Smithfield Group not arising out of the ordinary course of business have been fully settled, and all pledges and guarantees provided between the Smithfield Group and the Post Spin-Off Group on borrowings have been fully released as at the Latest Practicable Date. Smithfield is expected to be financially independent of the Company at the time of its listing.

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Prospects

Following the EU Carve-out, the Smithfield Group is principally engaged in the fresh pork and packaged meat businesses in the U.S. and Mexico. The U.S. is one of the largest pork producing countries in the world, and has a relatively mature industry. As disclosed in the 2024 interim report of the Company, pork production for the first half of 2024 increased by approximately 1.1% year-on-year, and export volume of U.S. pork and offals increased by approximately 2.6%. According to the statistics of the United States Department of Agriculture (the “USDA”), total pork production and exports for 2024 is forecast at almost 28 billion pounds and approximately 7.2 billion pounds respectively, representing increases of approximately 2.4% and 5% as compared to 2023 (as retrieved from the USDA’s website at <https://www.ers.usda.gov/webdocs/outlooks/110235/ldp-m-364.pdf?v=1765.5> on the Latest Practicable Date).

Based on the long-term projection in a USDA report published in February 2024 (as retrieved from the USDA’s website at <https://www.ers.usda.gov/webdocs/outlooks/108567/oce-2024-01.pdf?v=3283.3> on the Latest Practicable Date), total commercial pork production in the U.S. is expected to grow from 2023 to 2033 at a compound annual growth rate (“CAGR”) of approximately 1.7%, reflecting an expected rise in hog supplies and gains in hog weights. In terms of exports, the USDA projected in the same report that the exports of pork by the U.S. will increase from 2023 to 2033 at a CAGR of approximately 3.3%, surpassing the European Union as the largest pork exporter in the world.

Smithfield’s future performance will be dependent on a number of factors, including hog prices, pork values, consumer sentiment and ability to innovate and deliver differentiated products to meet customer specifications. As disclosed in the 2023 annual report and 2024 interim report of the Company, average U.S. hog price and pork cut-out value in 2023 decreased by approximately 17.1% and 13.5% respectively year-on-year, but increased by approximately 7.0% and 13.7% year-on-year for the first half of 2024. According to the 2024 third quarter results announcement of the Company, average U.S. hog price increased year-on-year during the first nine months of 2024. The above resulted in the Smithfield Group’s loss in 2023 and the turnaround in 2024. As the U.S. is the world’s leading pork exporter, hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets, which will be highly dependent on the market dynamics in the U.S. as well as those in the international markets.

The Smithfield Group has seen improvement in financial performance in 2024, and has implemented a series of reform measures to optimise the hog production operation. While the longer-term performance is inherently difficult to predict, the Management believes that the impact of the reform measures would continue to be positive to the Smithfield Group for the remainder of 2024.

3. Reasons for and benefits of the Proposed Spin-off

As set out in the letter from the Board, the Directors consider that the Proposed Spin-off could better reflect the value of the Smithfield Group, and accordingly enable investors to better value the Company with more visibility to the fair market value of the Smithfield Group. The Directors also consider that a separate listing status for Smithfield Group will be beneficial to the Company. The major reasons and benefits are summarised below:

- (i) The Proposed Spin-off will enable the Company to engage in more focused development and strategic planning, allocating resources more efficiently for the respective businesses given their distinctive geographic focus and different market environment and enhancing the flexibility to capitalize on the growth opportunities in the respective markets;
- (ii) The Proposed Spin-off will create separate fundraising platforms for the Smithfield Group and the Post Spin-off Group, which will (a) enable the Smithfield Group to directly and independently access equity capital markets and (b) provide the Smithfield Group with more flexibility in future merger and acquisition transactions;
- (iii) The Proposed Spin-off will be conducive to improving operation management, financial transparency and corporate governance of the Smithfield Group and the Post Spin-off Group, providing shareholders and potential investors with clearer business and financial positions. In particular, the Proposed Spin-off is expected to realize and enhance the value of Smithfield, which may in turn improve the market value of the Company, as investors in America will have a better understanding of the Smithfield Group's businesses focusing on the American and Mexican markets;
- (iv) The Proposed Spin-off is expected to reinforce the management ability of the Post Spin-off Group and the Smithfield Group, allowing independent management teams to better align interests and focus more effectively on their respective businesses; and
- (v) The Proposed Spin-off will enhance the business profile and market influence of the Smithfield Group, in turn strengthening its capability to deal with business partners, expand customer base, and will be better positioned to capture market and business opportunities in the future.

For further details, please refer to the section headed "4. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF" in the letter from the Board.

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We note that following the EU Carve-out, the Smithfield Group operates in geographical locations (i.e. the U.S. and Mexico) that are distinct from those of the Post Spin-off Group (i.e. China and Europe). The market environment and major factors affecting the operating performance of the Smithfield Group and the Post Spin-off Group, including for example industry policies, competition, pork and hog feed price, as well as production cost, are different. As further explained in the section headed “5. **Information on the Smithfield Group and the Post Spin-off Group**” in the letter from the Board, the businesses of the Smithfield Group and the Post Spin-off Group are delineated in terms of key brands, customers and suppliers, research and development, production and manufacturing. Given the above, having a separate listing platform would allow the investing public to appraise the Smithfield Group based on its separately published set of business and financial information. As the Smithfield Shares are to be listed on a U.S. Exchange, the Proposed Spin-off may also attract investors, in particular those that primarily focus on the U.S. capital markets and are not used to investing in Hong Kong, who value the business and opportunities of the Smithfield Group, which has its principal businesses based in the U.S. and Mexico.

Shareholders are reminded that upon completion of the Proposed Spin-off, Smithfield will remain a subsidiary of the Company and the financial information of the Smithfield Group will continue to be consolidated into the Company’s accounts. As such, Shareholders will participate in the benefits brought by the Proposed Spin-off to the Smithfield Group and the Post Spin-off Group, and will continue to be able to participate in the future growth and development of the Smithfield Group.

4. Conditions of the Proposed Spin-off

As set out in the letter from the Board, the Proposed Spin-off will be conditional upon, among other things, the following conditions:

- (i) the effectiveness of the registration statement to be filed by Smithfield with the SEC;
- (ii) the approval by the U.S. Exchange for the shares of Smithfield to be listed on the U.S. Exchange; and
- (iii) the obligations of the underwriter(s) under the underwriting agreements to be entered into between, among others, the underwriter(s), Smithfield and the Company (if applicable) in connection with the Smithfield Offering becoming unconditional, and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the date and time to be specified therein.

As at the Latest Practicable Date, none of the above conditions has been fulfilled. If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company when appropriate.

Shareholders should note that the final structure of the Proposed Spin-off and the listing of the Smithfield Shares are subject to, among other things, the approval of relevant authorities (including the U.S. Exchange and the SEC), market conditions and other considerations. Accordingly, there is no assurance that the Proposed Spin-off and the listing of the Smithfield Shares will take place and, if so, when.

5. Principal structure of the Proposed Spin-off

Offer price and offering size

As set out in the letter from the Board, the offer price of the Smithfield Offering has not been fixed yet and is subject to market conditions closer to the launch of the Smithfield Offering and determined by a book-building process organised by the underwriters of the Smithfield Offering and to be agreed by Smithfield. The underlying pre-money valuation of the Smithfield Group at the Smithfield Offering is currently expected to be no less than the net asset value of the Smithfield Group (prepared in accordance with the IFRS) as at 30 September 2024, which is US\$5.38 billion. In determining the final offer price, Smithfield will take into account, among other things, the prevailing stock market conditions, the investors' demand of Smithfield Shares, Smithfield's future prospects and those of its industry in general, its sales, earnings and certain other financial and operating information in recent periods, and the earnings multiples, market prices of securities, and certain financial and operating information of companies engaged in activities similar to Smithfield. Shareholders should be aware that the final offer price will be determined after the launch of the Smithfield Offering based on several factors, some of which are beyond the control of Smithfield and the underwriter(s) of the Smithfield Offering.

Based on the Board's preliminary estimate, the Smithfield Offering is expected to represent an offering of up to 20% of Smithfield Shares on a fully diluted basis, and will be effected by way of an issue of new Smithfield Shares and/or a sale of existing Smithfield Shares by the Company. The Company's shareholding in Smithfield is expected to decrease to approximately 80% to the maximum extent, and Smithfield will remain a subsidiary of the Company following completion of the Smithfield Offering.

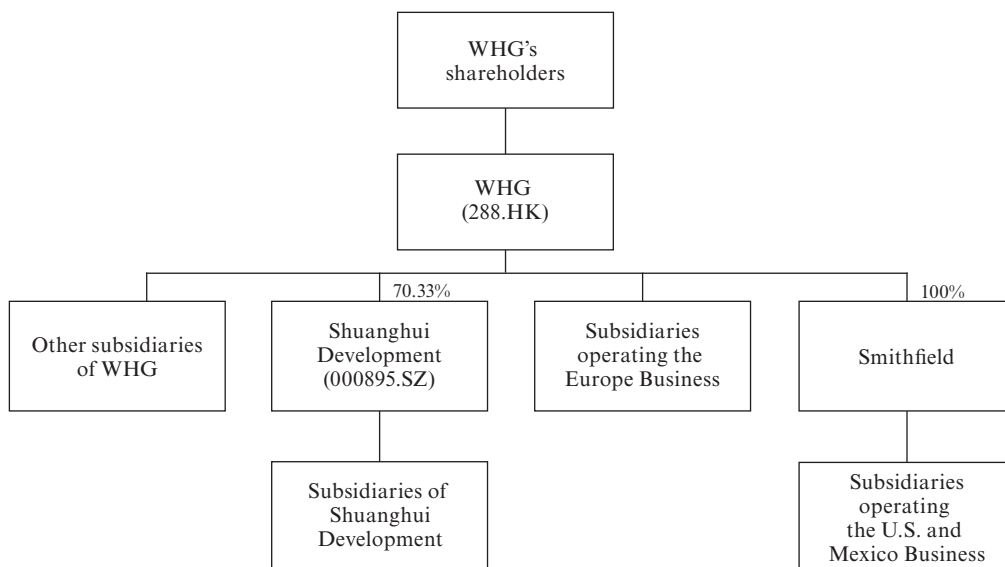
It is expected that the sale of existing Smithfield Shares, if any, would not exceed 60% of the total number of Smithfield Shares being made available under the Smithfield Offering. The proportion of Smithfield Shares being offered for subscription by Smithfield and/or those being offered for sale by the Company will be decided by the Board and the board of directors of Smithfield when the size of the Smithfield Offering is determined.

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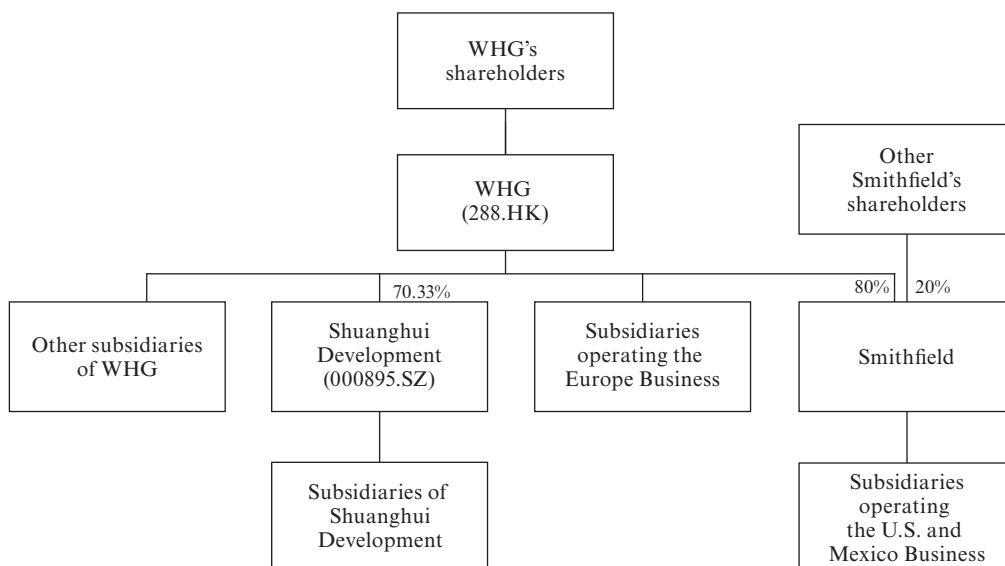
Shareholding and group structures

Set out below are the simplified shareholding and group structures of the Post Spin-off Group and the Smithfield Group as at the Latest Practicable Date and immediately after completion of the Proposed Spin-off.

As at the Latest Practicable Date:



Immediately after completion of the Proposed Spin-off²:



² On the basis that the Smithfield Offering is anticipated to represent an offering of up to 20% of Smithfield Shares on a fully diluted basis. The final size of the Smithfield Offering is not determined yet at this stage

Intended use of proceeds

As explained above, the final structure of the Proposed Spin-off, the final offer price and the expected size of the Smithfield Offering has not been determined and are subject to market conditions and various other factors closer to the launch of the Smithfield Offering. Consequently, the expected net proceeds from the Smithfield Offering cannot be determined yet at this stage. Smithfield currently expects to use the net proceeds from the Smithfield Offering for general corporate purposes including capital investments in infrastructure, automation, and packaged meats capacity expansions.

As to the sale of existing Smithfield Shares, the Company currently intends to use the net proceeds from any such sale for general working capital purposes.

The Company will make further announcement(s) as and when appropriate when the information relating to the final offer price and expected net proceeds of the Smithfield Offering is available. The Company will further comply with the requirements of the Listing Rules if the final offer price of the Smithfield Offering results in the Proposed Spin-off falling within a higher classification of notifiable transaction as defined under the Listing Rules.

Proposed board of directors of Smithfield

Following the Proposed Spin-off, the board of directors of Smithfield is proposed to comprise a total of nine directors, including six non-independent directors and three independent directors to be appointed. The independent directors of Smithfield to be appointed, who will provide checks and balances over the decision-making of Smithfield's board of directors, will not be the Company's directors nor members of senior management of the Post Spin-off Group. It is expected that no more than half of board of directors of Smithfield following the Proposed Spin-off will be directors who have roles in the Post Spin-off Group.

Given that Smithfield will remain a subsidiary of the Company following completion of the Proposed Spin-off, we concur with the Management's view that the proposed board composition of Smithfield is appropriate in that it reflects the interests of the Company while allowing Smithfield to maintain an independent management team. We further understand from the Management that the representatives of the Company on Smithfield's board of directors are expected to be focusing on the overall strategic planning of the Smithfield Group and will not be involved in the day-to-day management and operation of the Smithfield Group, and the boards of directors and management of Smithfield and the Company will function independently as two separate entities.

6. Evaluation of the pricing of the disposal

In order to provide the Shareholders with a general reference regarding the valuation of companies listed in the U.S. with businesses similar to the Smithfield Group, we have conducted a search on Bloomberg, on a best effort basis, for comparable companies (the “**Comparable Companies**”) which are (i) listed on the U.S. Exchange with market capitalisation of at least US\$1 billion as at the Latest Practicable Date, and (ii) primarily engaged in offering fresh and/or packaged meats including pork in the U.S., with over 50% of their revenue derived from the U.S., according to their latest published full year financial statements. Based on the above selection criteria, we have identified two Comparable Companies. We consider the Comparable Companies to be fair and representative samples for the purpose of this analysis, and the research on the Comparable Companies provides a meaningful analysis for the Shareholders. In our view, the Comparable Companies represent an exhaustive list based on the selection criteria above.

The table below illustrates the price to earnings (“**P/E**”) ratios and the enterprise value (“**EV**”, being the sum of the respective (i) market capitalisation, (ii) non-controlling interests, and (iii) interest-bearing borrowings, minus (a) cash and bank balances and (b) restricted cash and bank deposits) to EBITDA (“**EV/EBITDA**”) ratios of the Comparable Companies, which we consider to be suitable ratios for comparison, having regard to the financial performance and the business model of the Smithfield Group. We have also included the price to book (“**P/B**”) ratios of the Comparable Companies as an additional check.

We note that all the Comparable Companies have published the latest full year financial statements and the latest quarterly financial statements. For the purpose of reflecting the latest trading performance of the Comparable Companies and the Smithfield Group, the ratios presented in the table below are prepared based on relevant financial information for the trailing twelve months (“**TTM**”). We also observe that the Comparable Companies and the Smithfield Group recorded various significant non-operating or one-off items during the TTM period. The adjusted P/E ratios and EV/EBITDA ratios, based on their respective adjusted earnings or EBITDA, are also presented below.

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Company name (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date ³ (US\$ billion)	P/E ratio ⁴ (times)	Adjusted P/E ratio ⁵ (times)	EV/ EBITDA ratio ⁶ (times)	Adjusted EV/ EBITDA ratio ⁷ (times)	P/B ratio ⁸ (times)
Tyson Foods, Inc. ("Tyson Foods") (TSN.NYSE)	Mainly engaged in producing, distributing, and marketing chicken, beef, pork, prepared foods, and related allied products	20.9	N/A	53.9	15.0	12.5	1.2
Hormel Foods Corporation ("Hormel Foods") (HRL.NYSE)	Mainly engaged in manufacturing and marketing consumer-branded meat and food products, including pork, turkey, beef, chicken and nuts	16.6	21.3	20.6	14.4	14.1	2.1
The Company		10.1	8.5	8.1	4.9	4.8	1.0
Smithfield		5.4	9.9	9.1	5.9	5.7	1.0

(Based on the net asset value as at 30 September 2024 and historical financial information for illustrative purposes only)

Source: The Company, the Comparable Companies' public filings and Bloomberg

³ Being the product of the respective closing price as quoted on the relevant stock exchange and the respective number of outstanding shares (excluding treasury shares) as at the Latest Practicable Date

⁴ Calculated by dividing the respective market capitalisation by the respective consolidated profits attributable to the ordinary shareholders, based on the most recently published financial information

⁵ Calculated by dividing the respective market capitalisation by the respective consolidated profits attributable to the ordinary shareholders, adjusting for (i) biological assets fair value adjustments, given the nature and inherent risks relating to biological assets and their valuation and (ii) restructuring costs and impairment of goodwill, both of which are non-recurring in nature (collectively, the "Adjustments Items", which, in our view, represent an exhaustive list on a best effort basis and represent fair and reasonable adjustments to facilitate comparison) (without taking into account the effects of related tax and non-controlling interests), based on the most recently published financial information; In respect of the Company and Smithfield, the respective consolidated profits attributable to the ordinary shareholders, taking into account the Adjustment Items and the effects of related tax and non-controlling interests, amounted to approximately US\$1,257 million and US\$591 million respectively, based on the financial information provided by the Management

⁶ Calculated by dividing the respective EV by the respective EBITDA, based on the most recently published financial information

⁷ Calculated by dividing the respective EV by the respective EBITDA, adjusting for the Adjustment items, based on the most recently published financial information; In respect of the Company and Smithfield, the respective EBITDA, taking into account the Adjustment Items, amounted to approximately US\$2,768 million and US\$1,251 million respectively, based on the financial information provided by the Management

⁸ Calculated by dividing the respective market capitalisation by the respective consolidated net asset value attributable to the ordinary shareholders, based on the most recently published financial information

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Shareholders should note that the calculation of the implied P/E, EV/EBITDA and P/B ratios of Smithfield and the comparison above are based on the net asset value of Smithfield as at 30 September 2024, being US\$5.38 billion (the “Minimum Market Capitalisation”), and the historical financial information for illustrative purposes only. The final offer price and offering size have not been fixed yet. As set out in earlier section, in determining the final offer price, Smithfield will take into account, among other things, the prevailing stock market conditions, the investors’ demand of Smithfield Shares, its future prospects and those of its industry in general, its sales, earnings and certain other financial and operating information in recent periods, and the earnings multiples, market prices of securities, and certain financial and operating information of companies engaged in activities similar to Smithfield.

P/E ratio

The P/E and adjusted P/E ratios of the two Comparable Companies range from approximately 20.6 times and 53.9 times, while the P/E and adjusted P/E ratios of the Company were 8.5 times and 8.1 times respectively. The Smithfield Group recorded a net loss in 2023 but a net profit on an adjusted basis. The Smithfield Group also achieved a turnaround to net profit (both on unadjusted and adjusted bases) in the first nine months of 2024. Based on the Minimum Market Capitalisation and TTM profit, the P/E and adjusted P/E ratios of Smithfield of approximately 9.9 times and 9.1 times respectively are lower than the respective P/E ratios of the Comparable Companies, but slightly higher than those of the Company.

EV/EBITDA ratio

The EV/EBITDA and adjusted EV/EBITDA ratios of the two Comparable Companies range from approximately 12.5 times to 15.0 times. The EV/EBITDA and adjusted EV/EBITDA ratios of Smithfield as represented by the Minimum Market Capitalisation of approximately 5.9 times and 5.7 times respectively are higher than the EV/EBITDA and adjusted EV/EBITDA ratios of the Company of approximately 4.9 times and 4.8 times respectively, but notably lower than those of the Comparable Companies.

P/B ratio

The P/B ratios of the Comparable Companies are between approximately 1.2 times and 2.1 times, implying that their shares are trading at a premium over their respective book value per share. The shares of the Company are trading close to its book value at a P/B ratio of approximately 1.0 times. The Minimum Market Capitalisation represents a P/B ratio of 1.0 times, which is equal to the P/B ratio of the Company but lower than the P/B ratios of the Comparable Companies.

Our comment

Although the offer price has not been fixed yet, on the basis that (i) the final offer price will be determined after taking into account the prevailing stock market conditions, the investors’ demand of Smithfield Shares, its future prospects and those of its industry in general, its sales, earnings and certain other financial and operating

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information in recent periods, and the earnings multiples, market prices of securities, and certain financial and operating information of companies engaged in activities similar to Smithfield, and (ii) the underlying pre-money valuation of the Smithfield Group at the Smithfield Offering is currently expected to be no less than its net asset value (prepared in accordance with the IFRS) as at 30 September 2024, we consider the offer price determination process and basis for the Smithfield Offering to be reasonable.

On the assumption that the final offer price under the Smithfield Offering will be determined with reference to valuation of the Comparable Companies, which generally are trading at P/E, EV/EBITDA and P/B ratios higher than those of Smithfield based on the Minimum Market Capitalisation and the historical financial information as of the Latest Practicable Date as illustrated above, it is reasonable to assume that the Smithfield Shares will be offered at an underlying pre-money valuation higher than the Minimum Market Capitalisation.

7. Financial impact of the Proposed Spin-off on the Group

It is expected that Smithfield will remain a subsidiary of the Company and the financial results and position of the Smithfield Group will continue to be consolidated into the accounts of the Company upon completion of the Proposed Spin-off.

Set out below is the estimated financial impact of the Proposed Spin-off on the Group, summarised from the section headed “3. FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF” in the letter from the Board and based on the proposed structure of the Proposed Spin-off which is subject to finalisation and is shown for illustration purposes only.

Net assets

The Proposed Spin-off, which involves the issue of new Smithfield Shares and/or the sale of existing Smithfield Shares for cash, will increase the amount of cash and total assets recorded in the consolidated statement of financial position of the Company, which will include the financial position of the Smithfield Group as a subsidiary. On the other hand, the Proposed Spin-off will not affect the liabilities of the Group.

We are advised by the Management that the proceeds from the Proposed Spin-off will be considered as a capital contribution from the non-controlling interests, and any difference between the amount by which the non-controlling interests are adjusted (see below) and the fair value of the consideration received (i.e. the net proceeds from the Proposed Spin-off) will be recorded in equity attributed to the shareholders of the Company.

Earnings

On the basis that the Proposed Spin-off will be regarded as a transaction with the non-controlling interests, the carrying amount of the non-controlling interests will be adjusted to reflect the proportionate change in the non-controlling interests in Smithfield. It is expected that there would be no gain or loss upon completion of the Proposed Spin-off (i.e. the deemed disposal of equity interest in Smithfield) credited or charged to the Company's consolidated statement of profit or loss.

The proportion of the Company's shareholding in Smithfield will be diluted immediately after completion of the Proposed Spin-off. Accordingly, assuming all else being equal, it is expected that the earnings or loss of the Smithfield Group attributable to the shareholders of the Company will decrease, while the earnings or loss of the Smithfield Group attributable to the Company's non-controlling interests will increase correspondingly.

Both Smithfield and the Company will benefit from the use of net proceeds from the Smithfield Offering, which may in turn enhance their future operating performance.

Working capital and net gearing

In view of the expected net proceeds to be raised from the Proposed Spin-off, depending on the number of new shares to be issued by Smithfield, the existing Smithfield Shares to be sold by the Company and the offer price, we consider that the working capital position of the Group would improve as a result of the Proposed Spin-off, providing the Group with more financial flexibility and strengthening its financial position. The Smithfield Group will utilise net proceeds from the issue of new Smithfield Shares on the general corporate purposes including capital investments in infrastructure, automation, and packaged meats capacity expansions. The Post Spin-off Group will utilise net proceeds from any sale of existing Smithfield Shares on general working capital purposes, and will be able to focus its financial resources on the other geographic locations and markets.

The Group's net debt to equity ratio was approximately 23.9% as at 30 June 2024. Taking into account the expected net proceeds from the Proposed Spin-off, the Group's net debt to equity ratio is expected to decrease immediately after completion of the Proposed Spin-off.

Dilution of interest in Smithfield

Based on the proposed structure of the Proposed Spin-off, the Group's interest in Smithfield will be diluted from 100% as at the Latest Practicable Date to approximately 80% to the maximum extent immediately after completion of the Proposed Spin-off. In our opinion, such dilution, albeit not immaterial, is acceptable from the point of view of the Shareholders taking into consideration (i) the benefits to be derived from the Proposed Spin-off as discussed in the section above headed "3. Reasons for and benefits of the Proposed Spin-off", (ii) the generally positive financial impact on the Group, including the enhancement on its financial position and net debt

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to equity ratio, and (iii) the fact that the financial results and position of the Smithfield Group will continue to be consolidated into the accounts of the Company and Shareholders will continue to participate in the future performance of the Smithfield Group.

Shareholders are reminded that the actual financial impact of the Proposed Spin-off on the Group will be subject to the final structure of the Proposed Spin-off and the financial position of the Group and the Smithfield Group at the time of listing, which may be different from the present situation.

8. The Post Spin-off Group

Following completion of the Proposed Spin-off, the Post Spin-off Group will be principally engaged in the Packaged Meats Business, the Pork Business and the Other Business in China and Europe. The Post Spin-off Group is expected to retain a sufficient level of operations and sufficient assets to support its separate listing status, and satisfies the requirements under Chapter 8 of the Listing Rules (including the minimum profit requirement under Rule 8.05) as required under the PN 15.

Certain transactions between the Post Spin-off Group and the Smithfield Group are on-going and are expected to continue after completion of the Proposed Spin-off, such as (i) sale and purchase of pork products and packages meats between two groups, and (ii) licensing of Smithfield trademarks by the Smithfield Group to the Post Spin-off Group. As confirmed with the Management, the amount of such transactions has not been significant, and it is not expected that there would be material changes in the nature and scale of the transactions between two groups in the near future upon completion of the Proposed Spin-off.

9. Assured Entitlement and Distribution In Specie

According to PN15, assured entitlements to shares in the spun-off company are expected to be provided to the existing shareholders of the parent company. It is currently proposed that the Company will provide the Shareholders with the Assured Entitlement by way of a distribution in specie of certain Smithfield Shares with a cash alternative in proportion to their respective shareholdings in the Company, subject to the circumstances described below where certain Shareholders may not be able to elect to receive Smithfield Shares and so will only receive the cash distribution instead. The distribution is conditional upon the Smithfield Offering becoming unconditional in all respects.

Based on the Board's preliminary estimate and expectation, it is proposed that the Shareholders will be entitled to a distribution in specie of Smithfield Shares held by the Company representing approximately 0.35% to 0.45% of the total issued share capital of Smithfield as enlarged by the Smithfield Offering.

As a comparison, we have searched the website of the Stock Exchange on a best effort basis to identify spin-off exercises by Hong Kong listed companies on the U.S. Exchange (the "**Precedent Spin-off Exercises**") announced and completed since 1 January 2015 up to the date immediately prior to the Latest Practicable Date, with assured entitlement by way of a distribution in specie of shares to their respective shareholders. The Precedent Spin-off

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Exercises represent an exhaustive list of spin-off exercises that we were above to identify from the website of the Stock Exchange, based on the above selection criteria^{9,10}. The table below illustrates the details of the Precedent Spin-off Exercises:

Prospectus date	Company name (stock code)	Spun-off company name (stock code)	Size of the assured entitlement	Total issued shares of spun-off company as enlarged by the public offering (excluding the exercise of any over-allotment option)	Assured entitlement as % of the total issued shares of spun-off company as enlarged by the public offering (excluding the exercise of any over-allotment option) <i>(approximate)</i>
9 May 2024	Geely Automobile Holdings Limited (175.HK) (“Geely Automobile”)	ZEEKR Intelligent Technology Holding Limited (ZK.US) (“ZEEKR”)	4,574,264 ¹¹	2,475,846,254	0.18%
5 June 2020	Genscript Biotech Corporation (1548.HK)	Legend Biotech Corporation (LEGN.US)	1,290,052	258,485,107	0.50%
7 May 2020	Kingsoft Corporation Limited (3888.HK) (“Kingsoft Corporation”)	Kingsoft Cloud Holdings Limited (KC.US) (“Kingsoft Cloud”)	15,839,177 ¹²	4,000,000,000	0.40%
11 December 2018	Tencent Holding Limited (700.HK)	Tencent Music Entertainment Group (TME.US)	4,563,600	3,270,550,086	0.14%
17 October 2018	Melco International Development Limited (200.HK)	Studio City International Holdings Limited (MSC.US)	800,376	297,079,776	0.27%
				<i>Mean</i>	<i>0.30%</i>
				<i>Maximum</i>	<i>0.50%</i>
				<i>Minimum</i>	<i>0.14%</i>
	The Company	Smithfield			0.35% to 0.45%

Source: Relevant announcement, circular and/or prospectus of the respective companies

⁹ We consider the spin-off of Elmtree Inc. by NetDragon Websoft Holdings Limited (stock code: 777.HK) (“**NetDragon**”) to be a Precedent Spin-off Exercise as it falls under the above selection criteria. However, Elmtree Inc. was being disposed by NetDragon in exchange for newly issued consideration shares from Gravitas Education Holdings, Inc. (subsequently renamed as Mynd.ai, Inc.), a company already listed on the U.S. Exchange with pre-existing businesses. The structure of the above share exchange exercise was different from those of the other Precedent Spin-off Exercises that their respective spun-off companies underwent initial public offerings on the U.S. Exchange. Accordingly, we have excluded Elmtree Inc. from the table above and analysis below. For information purpose only, a total of approximately 1.48% shares of Gravitas Education Holdings, Inc. were distributed to the shareholders of NetDragon as assured entitlement

¹⁰ We consider (i) the spin-off of SharkNinja, Inc. (“**SharkNinja**”) by JS Global Lifestyle Company Limited (stock code: 1691.HK) (“**JS Global Lifestyle**”) and (ii) the demerger of Jackson Financial Inc. (“**Jackson Financial**”) from Prudential plc (stock code: 2378.HK) (“**Prudential**”), to be Precedent Spin-off Exercises as they fall under the above selection criteria. However, through the respective assured entitlement, all the shares of SharkNinja were distributed to the shareholders of JS Global Lifestyle, while approximately 70.1% of the voting interest (and 69.2% economic interest) in Jackson Financial were distributed to the shareholders of Prudential, which are substantially higher than the top end of the above range of assured entitlement. Accordingly, we consider them to be outliers that are excluded from the above table and analysis below

¹¹ Calculated by dividing the total number of 10,063,382,383 shares of Geely Automobile by the distribution ratio (10 shares of ZEEKR for every 22,000 shares of Geely Automobile held), as extracted from the announcement of Geely Automobile dated 16 May 2024

¹² Calculated by dividing the total number of 1,372,728,717 shares of Kingsoft Corporation by the distribution ratio (15 shares of Kingsoft Cloud for every 1,300 shares of Kingsoft Corporation held), as extracted from the announcement of Kingsoft Corporation dated 8 May 2020

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As set out in the table above, the assured entitlements offered to shareholders under the Precedent Spin-off Exercises as a percentage of the total issued shares of spun-off company as enlarged by the public offering (excluding the exercise of any over-allotment option) range from approximately 0.14% to 0.50%, with a mean of approximately 0.30%. The expected percentage of enlarged Smithfield Shares to be distributed by the Company to the Shareholders under the Assured Entitlement, being approximately 0.35% to 0.45%, is higher than the above mean but still falls well within the above range. On this basis, we consider the expected size of the Assured Entitlement to be acceptable and in line with the market precedents.

As disclosed in the letter from the Board, subject to the Company obtaining relevant legal advice, Shareholders located in certain jurisdictions may be excluded from the right to receive Smithfield Shares and could only receive cash instead, as provided under Rule 13.36(2) of the Listing Rules. Shareholders holding less than a specified minimum number of Shares are expected to only receive cash (to avoid fractions).

It is also stated in the letter from the Board that if the Stock Connect Investors receive any securities not listed on the Stock Exchange, they will not be allowed to buy or sell such securities through the Stock Connect. Considering the practical difficulty of the Stock Connect Investors in realizing the benefit of the distribution of Smithfield Shares, Stock Connect Investors will not be able to elect to receive Smithfield Shares and so will only receive the cash distribution instead, the amount of which is subject to finalised distribution arrangement determined by the Company.

Shareholders should be aware that the Smithfield Shares are proposed to be listed on the U.S. Exchange, as opposed to the Stock Exchange on which the Shares are currently traded. Shareholders who wish to deal in the Smithfield Shares to be received would need to establish an appropriate securities account by means of which the Shareholder could receive and deal in those securities. Any Shareholders including the Stock Connect Investors who cannot receive Smithfield Shares due to legal restrictions and/or trading rules should consult their own professional advisers, in particular as to the actions required to become able to receive and trade those securities.

The exact scale and detailed terms of the Assured Entitlement have not been finalised as at the Latest Practicable Date, as they will depend on market conditions and size of the Smithfield Offering. Further details of the Assured Entitlement, including (among others) the exact scale of the distribution, the details for qualifying lot(s) and entitlement and the expected timetable for the distribution, will be announced by the Company as and when appropriate.

DISCUSSION

The Group is a leading global pork company with operations in multiple geographical regions. The U.S. and Mexico businesses of the Group originates from the Group's acquisition of Smithfield which was completed in 2013. Following the consolidation with Smithfield, shares of the Company became listed in Hong Kong in 2014. Due to the distinct geographical locations in which the U.S. and Mexico businesses on the one hand and the rest of the Group on the other hand operate, the performance of the U.S. and Mexico businesses has not consistently moved in tandem with the rest of the Group. We also understand from the Management that businesses of the Smithfield Group and the Post Spin-off Group are clearly delineated. We concur with the Directors' view that the Proposed Spin-off would enable the Company and Smithfield to engage in more focused development and strategic planning for their distinctive geographical locations and market, and create financial flexibility for the Smithfield Group and the Post Spin-off Group by having separate fundraising platforms.

The Proposed Spin-off involves the Smithfield Offering and the proposed separate listing of the Smithfield Shares on either the New York Stock Exchange or NASDAQ. The Smithfield Offering will be effected by way of an issue of new shares by Smithfield and/or a sale of existing Smithfield Shares by the Company. It is expected that the Company's shareholding in Smithfield will decrease to approximately 80% to the maximum extent immediately after completion of the Smithfield Offering. The net proceeds from the Proposed Spin-off are expected for general corporate and working capital purposes. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off, which is still subject to, amongst others, obtaining approvals from the relevant authorities including the SEC and the U.S. Exchange, market conditions and other factors. There is no assurance that the Proposed Spin-off will take place and, if so, when.

The Smithfield Group is expected to achieve a Minimum Market Capitalisation of US\$5.38 billion. As the final offer price will be determined after taking into account valuation of comparable companies listed in the U.S. and other factors as discussed in the section above headed "6. Evaluation of the pricing of the disposal", a higher valuation can reasonably be expected. The implied P/E, EV/EBITDA and P/B ratios of the Smithfield Group are expected to be higher than those of the Group, which may in turn improve the market value of the Company.

Upon completion of the Proposed Spin-off, the principal business of the Post Spin-off Group will be conducted mainly in China and Europe. The Company will retain Smithfield as an indirect non-wholly owned subsidiary, and will continue to benefit from its future profits and growth. Future profit attributable to owners of the Company, assuming all else being equal, will decrease as a result, but the gearing and cash positions of the Group is expected to be improved immediately. We consider such level of dilution to be acceptable, taking into account the benefits which may be derived from the Proposed Spin-off, and that Smithfield will remain a subsidiary, such that Shareholders will continue to participate in the future performance of the Smithfield Group.

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In accordance with the provision of PN15, Assured Entitlement will be offered to the Shareholders, which is expected to represent approximately 0.35% to 0.45% of the enlarged issued Smithfield Shares. In our view, the above level of Assured Entitlement is in line with or more favourable in comparison with other similar spin-offs by Hong Kong listed companies on the U.S. Exchange.

Overall, we consider the Proposed Spin-off to be a strategic move of the Group to unlock the value of its U.S. and Mexico businesses, and an opportunity to raise funding under a separate platform to support the growth of the Smithfield Group. The opportunity to value the Smithfield Group on a stand-alone basis is also expected to attract a new investor base in the U.S. capital market.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Proposed Spin-off and the Distribution in Specie are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Spin-off and the Distribution in Specie.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine **John Wong**
Chairman Director

Mr. M. N. Sabine is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over forty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited. He has over fifteen years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the years ended 31 December 2021, 2022 and 2023, the unaudited consolidated financial statements for the six months ended 30 June 2024 and the unaudited consolidated results for nine months ended 30 September 2024 of the Company together with relevant notes thereto have been disclosed in the following documents published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.wh-group.com).

Quarterly results announcement of the Company for the nine months ended 30 September 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1029/2024102900555.pdf>

Interim report of the Company for the six months ended 30 June 2024 published on 19 September 2024 (page 21 to page 59):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0919/2024091900685.pdf>

Annual report of the Company for the year ended 31 December 2023 published on 15 April 2024 (page 60 to page 182):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0415/2024041500426.pdf>

Annual report of the Company for the year ended 31 December 2022 published on 24 April 2023 (page 59 to page 182):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042402246.pdf>

Annual report of the Company for the year ended 31 December 2021 published on 20 April 2022 (page 57 to page 182):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000590.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2024, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the indebtedness of the Group was as follows:

Borrowings

The Group had total bank loans, bank overdrafts, debt securities and other borrowings of US\$3,785 million, of which:

- (a) US\$6 million were secured by certain trade receivables of the Group and unguaranteed;
- (b) US\$1 million were secured and guaranteed;

(c) US\$1,983 million were unsecured and guaranteed; and

(d) US\$1,795 million were unsecured and unguaranteed.

Lease liabilities

The Group had total lease liabilities of US\$436 million, which were unsecured and unguaranteed.

Contingent liabilities

Smithfield has been named as one of the 16 defendants by three groups of class actions plaintiffs and certain individuals in the U.S. alleging antitrust price-fixing violations in the pork industry starting in 2009 and continuing through at least June 2018 (the “**Antitrust Litigation**”).

Payments in an aggregated amount of approximately US\$194 million were made to settle all class claims (“**Class Settlements**”).

Smithfield has also entered into negotiations to settle certain outstanding non-class cases and related claims. As of 30 September 2024, 30 individual cases (including claimants who opted out of the Class Settlements) remain pending against the Group. The Group intends to vigorously defend against these claims.

The Board assesses and monitors the financial and operational impacts of material lawsuits, including the Antitrust Litigation, on a continuous basis and takes actions which are considered to be in the best interest of the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, intra-group guarantees and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2024, the Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security was provided by the Group or by third parties) or unsecured; (ii) other loans or indebtedness in the nature of loans including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, having made appropriate inquiries and taking into account of the internal resources of the Group and currently available loan facilities, the Directors are of the opinion that the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Upon completion of the Proposed Spin-off, the Group will continue to principally engage in the three segments, being packaged meats, pork and others.

As disclosed in the interim report of the Company for the six months ended 30 June 2024, in the first half of 2024, revenue of the Group decreased by 6.3% as sales volume reduced. Operating profit, on the other hand, significantly increased by 78.4%. The primary driver was the turnaround of the Group's pork business.

In the first half of 2024, revenue of packaged meats decreased by 2.4%, and the operating profit of packaged meats increased by 6.5% from that of 2023. Pork revenue in the first half of 2024 decreased by 11.7% as compared to that of 2023. The Group recorded an operating profit of pork against an operating loss for the comparable period of 2023. In the first half of 2024, revenue generated by the Group's other businesses remained stable.

The Group achieved significant increase in profits for the first half of 2024. One of the key drivers was the substantial improvement of the U.S. pork results of the Group as market dynamics has become more favourable than the comparable period of 2023 and the Group implemented a series of reform measures to strengthen our hog production operation. The Group expects the impact of those measures would continue to be positive to the Company for the remainder of the year. In the meantime, macro-economic headwinds are weighing the consumer confidence of the Group and therefore consumption demand. To adapt to the ever-changing market environment and respond to the various challenges, the Group will rigorously promote adjustment of product mix, expand sales network, manage prices, and save costs. With the competitive advantages of the Group, we believe that the financial results of our core business, packaged meats, would remain strong and resilient while the financial results of the pork business of the Group would grow significantly for this year. With the joint effort of our management team, the Company would strive for a good recovery of overall profitability in 2024 and lay the foundation of steady development of the Group in the future.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors, collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors

As at the Latest Practicable Date, 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*

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 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 the Latest Practicable Date, 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 the Latest Practicable Date, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be

disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interest in the Shares of the Company

Name	Capital/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%
Xing Tong ⁽⁴⁾	Interest in controlled corporation	1,555,556,978 ^(L)	12.12%
Ms. Wang Meixiang ⁽⁵⁾	Beneficiary of a trust	2,593,192,839 ^(L)	20.21%
The Bank of New York Mellon Corporation	Interest of spouse	3,518,669,817 ^(L)	27.42%
		642,735,720 ^(L)	5.01%
		297,065,360 ^(S)	2.32%
		336,688,239 ^(P)	2.62%

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 3,518,669,817 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 the Latest Practicable Date, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. MATERIAL LITIGATION

Smithfield has been named as one of the 16 defendants by three groups of class action plaintiffs 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 made to settle all class claims (“**Class Settlements**”). Smithfield also has entered into negotiations to settle certain outstanding non-class cases and related claims. As of 30 September 2024, 30 individual cases (including claimants who opted out of the class settlements) remain pending against the Group. The Group intends 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.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into any service contract with the Company or any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

5. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) None of the Directors is interested, directly or indirectly, in any assets which have, since 31 December 2023, the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date as entered into by any member of the Group and which is significant in relation to the business of the Group.
- (c) None of the Directors and his/her close associates had any competing interests that would be required to be disclosed under Rule 8.10 of the Listing Rules as if he/she was a controlling shareholder of the Company.

6. MATERIAL CONTRACT

During the two years immediately preceding the Latest Practicable Date, no member of the Group has entered into any other contracts which are not in the ordinary course of its business that are or may be material.

7. EXPERT AND CONSENT

The following is the qualification of the expert who had given opinions or advices contained in this Circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any shareholding directly or indirectly in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection by Shareholders on the website of the Company (www.wh-group.com) and the website of the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Board dated 18 November 2024, the text of which is set out on pages 6 to 24 of this circular;
- (b) the letter from the Independent Board Committee to the Shareholders dated 18 November 2024, the text of which is set out on pages 25 to 26 of this circular;
- (c) the letter from Somerley to the Independent Board Committee and the Shareholders dated 18 November 2024, the text of which is set out on pages 27 to 52 of this circular; and
- (d) the written consent referred to in the section headed “Expert and Consent” in this appendix to this circular.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The principal place of business and corporate headquarters of the Company in Hong Kong is situated at Unit 7602B-7604A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Chau Ho, who is 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.

- (d) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.



WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of WH Group Limited (the “**Company**”) will be held at Emerald I & II, Level 8, The Ritz-Carlton, Hong Kong, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 6 December 2024 at 4:00 p.m. to consider and, if thought fit, passing the following ordinary resolution of the Company. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 18 November 2024 (the “**Circular**”):

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the spin-off of Smithfield Foods, Inc., (“**Smithfield**”), currently a wholly owned subsidiary of the Company, and a separate listing of the shares of Smithfield on either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ) (the “**Proposed Spin-off**”) and the transactions contemplated thereunder (including, among other things, the Distribution in Specie) be and are hereby approved; and
- (b) the directors of the Company and/or the directors of Smithfield be and are hereby authorised, for and on behalf of the Company and Smithfield, to take all steps and do all acts and things as they consider to be necessary, appropriate or expedient in connection with and to implement or give effect to the Proposed Spin-off and the transactions contemplated thereunder (including, among other things, the Distribution in Specie), including but not limited to the determination of the offer price, and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by them to be incidental to, ancillary to or in connection with the Proposed Spin-off.”

By order of the Board
WH Group Limited
Wan Long
Chairman

Hong Kong, 18 November 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 4:00 p.m. on Wednesday, 4 December 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. Where there are joint holders of any share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
5. The resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com) in accordance with the Listing Rules.
6. For the purpose of ascertaining the shareholders’ entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 3 December 2024 to Friday, 6 December 2024, both days inclusive. In order to be eligible to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with Computershare at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 2 December 2024.

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