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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)

UNAUDITED CONSOLIDATED QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

The board (the “**Board**”) of directors (the “**Directors**”) of WH Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended March 31, 2020 (“**3M 2020**” or the “**Period**”). This announcement is made by the Company on a voluntary basis to enhance the practice of good corporate governance and further promote the transparency and accountability of the Company.

HIGHLIGHTS

| | | | 3M 2020 | 3M 2019 |
|--|----------------------------------|-----------------|----------------------------------|---------------------|
| Key operating data | | | | |
| Hogs produced (thousand heads) | | | 5,619 | 5,459 |
| Hogs processed (thousand heads) | | | 12,333 | 14,843 |
| Packaged meats sold (thousand metric tons) | | | 781 | 790 |
| | | | <hr/> | <hr/> |
| | | | 3M 2020 | 3M 2019 |
| | Results before | Results after | Results before | Results after |
| | biological fair | biological fair | biological fair | biological fair |
| | value | value | value | value |
| | adjustments | adjustments | adjustments | adjustments |
| | <i>US\$ million</i> | | <i>US\$ million</i> | |
| | <i>(unless otherwise stated)</i> | | <i>(unless otherwise stated)</i> | |
| Key financial data | | | | |
| Revenue | 6,282 | 6,282 | 5,282 | 5,282 |
| EBITDA | 711 | 615 | 471 | 669 |
| Operating profit | 550 | 550 | 341 | 341 |
| Profit attributable to owners of the Company | 353 | 281 | 196 | 348 |
| Basic earnings per share (US cents) | 2.40 | 1.91 | 1.34 | 2.37 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | As at | As at |
| | | | March 31, | December 31, |
| | | | 2020 | 2019 |
| | | | <i>US\$ million</i> | <i>US\$ million</i> |
| Total assets | | | 17,592 | 17,282 |
| Equity attributable to owners of the Company | | | 8,984 | 8,684 |
| | | | <hr/> | <hr/> |

- Revenue increased by 18.9%
- Operating profit increased by 61.3%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 80.1%

INDUSTRY OVERVIEW

As the largest pork company in the world, our business is closely tied with the hog industry in each market that we operate. Supply and demand drive the movement in prices of hog and meat and consequently impact our inputs (costs) and outputs (sales). During the Period, the average hog price in the People’s Republic of China (“China”) was RMB36.2 (equivalent to approximately US\$5.2) per kilogram (“kg”), a significant increase of 171.2% from that of the three months ended March 31, 2019 (“3M 2019” or the “Comparable Period”) as a result of supply shortage caused by African Swine Fever (“ASF”). In the United States of America (the “U.S.”), the average hog price and pork cutout value for the Period increased by 4.2% to US\$0.99 per kg and by 4.7% to US\$1.57 per kg, respectively, as the net effect of increased hog production and strong export demand.

RESULTS OF OPERATIONS

| | Packaged meats | Fresh pork | Hog production <i>US\$ million</i> | Others ⁽²⁾ | Total |
|--------------------------------|-------------------|--------------|--|-----------------------|--------------|
| 3M 2020 | | | | | |
| Revenue⁽¹⁾ | | | | | |
| China | 939 | 1,477 | 1 | 110 | 2,527 |
| U.S. | 1,859 | 1,024 | 278 | — | 3,161 |
| Europe | 233 | 255 | 17 | 89 | 594 |
| | <u>3,031</u> | <u>2,756</u> | <u>296</u> | <u>199</u> | <u>6,282</u> |
| Operating profit/(loss) | | | | | |
| China | 190 | 63 | (1) | 18 | 270 |
| U.S. | 156 | 89 | 17 | (36) | 226 |
| Europe | 14 | 2 | 39 | (1) | 54 |
| | <u>360</u> | <u>154</u> | <u>55</u> | <u>(19)</u> | <u>550</u> |

| | Packaged meats | Fresh pork | Hog production <i>US\$ million</i> | Others ⁽²⁾ | Total |
|--------------------------------|-------------------|--------------|--|-----------------------|--------------|
| 3M 2019 | | | | | |
| Revenue⁽¹⁾ | | | | | |
| China | 860 | 833 | 2 | 69 | 1,764 |
| U.S. | 1,816 | 1,145 | 132 | — | 3,093 |
| Europe | 190 | 151 | 12 | 72 | 425 |
| | <u>2,866</u> | <u>2,129</u> | <u>146</u> | <u>141</u> | <u>5,282</u> |
| Operating profit/(loss) | | | | | |
| China | 145 | 80 | (5) | 3 | 223 |
| U.S. | 237 | 68 | (157) | (38) | 110 |
| Europe | 15 | — | (6) | (1) | 8 |
| | <u>397</u> | <u>148</u> | <u>(168)</u> | <u>(36)</u> | <u>341</u> |

Notes:

- (1) Revenue refers to net external sales.
- (2) Others operating loss includes certain corporate expenses.

Packaged Meats

During the Period, sales volumes of our packaged meats was 781 thousand metric tons, a mild decrease of 1.1% over that of Comparable Period. In China, sales volume decreased by 7.5% as the resumption of production after Lunar New Year was delayed by coronavirus (“COVID-19”) pandemic. Such decrease was partially offset by the growth in the U.S. and Europe. Revenue increased by 5.8% as we achieved growth in all markets that we operate, particularly China and Europe, as a result of higher sales prices. Operating profit decreased by 9.3% as the decline in the U.S. and Europe outweighed the growth in China. In the U.S., the decrease was mainly driven by the reserve made on the expected loss relating to the closure of foodservices under COVID-19. In Europe, the decrease was primarily due to higher meat costs. In China, on the other hand, operating profit grew as the benefit of sales price adjustments was greater than the negative impact of cost inflation.

Fresh Pork

Total number of hogs processed in the Period decreased by 16.9%. The decrease was mainly attributable to the significant decline of 64.8% in China as live hog supplies were limited due to ASF and production was disrupted by COVID-19. The processing volume in the U.S. and Europe increased as a result of industry expansion, and integration of newly acquired capacity, respectively. External sales volume of fresh pork in the Period also decreased by 14.3% as our sales volume in China was 16.0% lower than the Comparable Period. Nevertheless, the extent of decrease in sales was less than the extent of decrease in processing volume in China benefiting from the remarkable growth of sales of imported pork. On the other hand, fresh pork revenue increased by 29.5% as pork prices went up in China and Europe. Operating profit also increased by 4.1% in the Period as our operation in the U.S. was supported by the strong global demand of pork. Operating profits in China, however, reduced as margin was impaired by lower processing volume.

Hog Production

During the Period, our hog production volume was up by 2.9% and revenue was doubled. Operating results also largely improved from an operating loss of US\$168 million in the Comparable Period to an operating profit of US\$55 million in the Period. As the majority of our hog production business is in the U.S. and Europe, the turnaround was primarily caused by the increase in hog prices in these two markets and our hedging gains in the U.S..

OUTLOOK

The operating landscape, driven by economic growth, consumers' preference, industry cycle and epidemics, is always impacting our business. In 2020, the overlay effects of sluggish global economic growth, intensified geopolitical friction, continuation of ASF and outbreak of COVID-19 will bring us unprecedented challenges. As COVID-19 is spreading globally, the level of uncertainty is increasing, and we are very cautious about different risk factors. Currently, five of our processing and packaged meats plants in the U.S. are temporarily closed due to COVID-19. Therefore, our first imperative is to ensure the safety of our employees and safeguard the interest of the Company. Given pork is a consumer staple, and we are a vertically integrated and geographically diversified industry leader, we have a distinctive market position to combat challenges and attain continuous growth.

REVIEW OF FINANCIAL INFORMATION

The Group's financial information for the three months ended March 31, 2020 is unaudited, but has been reviewed by the audit committee of the Board.

By order of the Board
WH Group Limited
Wan Long
Chairman and Chief Executive Officer

Hong Kong, April 28, 2020

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. WAN Hongjian, Mr. GUO Lijun, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie; the non-executive Director is Mr. JIAO Shuge; and the independent non-executive Directors are Mr. HUANG Ming, Mr. LEE Conway Kong Wai and Mr. LAU, Jin Tin Don.