萬洲國際
WH GROUP

WH Group Limited
萬 洲 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

HIGHLIGHTS

		2018	2017
Key operating data			
Hogs produced (thousand heads)		**20,953**	20,226
Hogs processed (thousand heads)		**56,068**	53,782
Packaged meats sold (thousand metric tons)		**3,361**	3,285

	2018		2017	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million (unless otherwise stated)		*US$ million (unless otherwise stated)*	
Key financial data				
Revenue	**22,605**	**22,605**	22,379	22,379
EBITDA	**2,106**	**1,967**	2,348	2,371
Operating profit	**1,650**	**1,650**	1,861	1,861
Profit attributable to owners of the Company	**1,046**	**943**	1,090	1,097
Basic earnings per share (US cents)	**7.13**	**6.43**	7.50	7.54
Dividend per share (HK$)				
Interim	**0.05**	**0.05**	0.05	0.05
Final	**0.15**	**0.15**	0.22	0.22
	0.20	**0.20**	0.27	0.27

Note: EBITDA, operating profit, profit attributable to owners of the Company and basic earnings per share of 2017 were adjusted to exclude two non-recurrent and non-cash items: (1) net benefit of US$314 million as a result of the U.S. Tax Reform and (2) a share-based payment of US$278 million related to the share award plan adopted in 2013.

- Revenue increased by 1.0%
- Operating profit decreased by 11.3%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 4.0%

The board (the "**Board**") of directors (the "**Directors**") of WH Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2018.

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

BUSINESS REVIEW

I. INDUSTRY OVERVIEW

The Group operates in the People's Republic of China ("**China**"), the United States of America (the "**U.S.**") and certain selected markets in Europe ("**Europe**"). Each geographic region is characterised distinctively. To maintain steady performance and maximise profitability, we rely on our seasoned and experienced management team to manage the market dynamics effectively.

China

China is the largest pork producer and consumption market in the world. Such market is expected to expand further. Generally, the development of the pork industry in China is largely dependent on the laws and regulations, as well as the pace of economic growth and improvement of people's living standard of the nation. Nevertheless, the short-term trend is impacted by the industry cycle and animal epidemic.

According to the statistics of the National Bureau of Statistics of China, the total production of pork in the country in 2018 was 54.0 million tons, a decrease of 0.9% as compared to 2017. The total production of hogs was 694 million heads, 1.2% lower than last year. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**MOA**"), the average hog price during the year was RMB13.0 (approximately US$2.0) per kg, a reduction of 15.6% from that of the previous year.

Since August 2018, cases of African Swine Fever ("**ASF**") were reported in several different parts of China. The government adopted a large number of significant measures to control the epidemic including the restriction of transporting live hogs from risky to less risky areas, the promotion of "centralised processing, operating in brands, circulating with cold-chain, selling fresh and chilled" and etc.. As a result, the circulation of hogs and its products across the country was affected and hog and pork prices in different provinces diverged according to their respective supply and demand situations.

The relatively low hog prices weakened the attractiveness of imported pork. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork for the year was 2.0% lower than that of last year. The incremental tariffs up to 62% on the U.S. imported pork because of the trade dispute between China and the U.S. further reduced the competitiveness of imports from the U.S.

U.S.

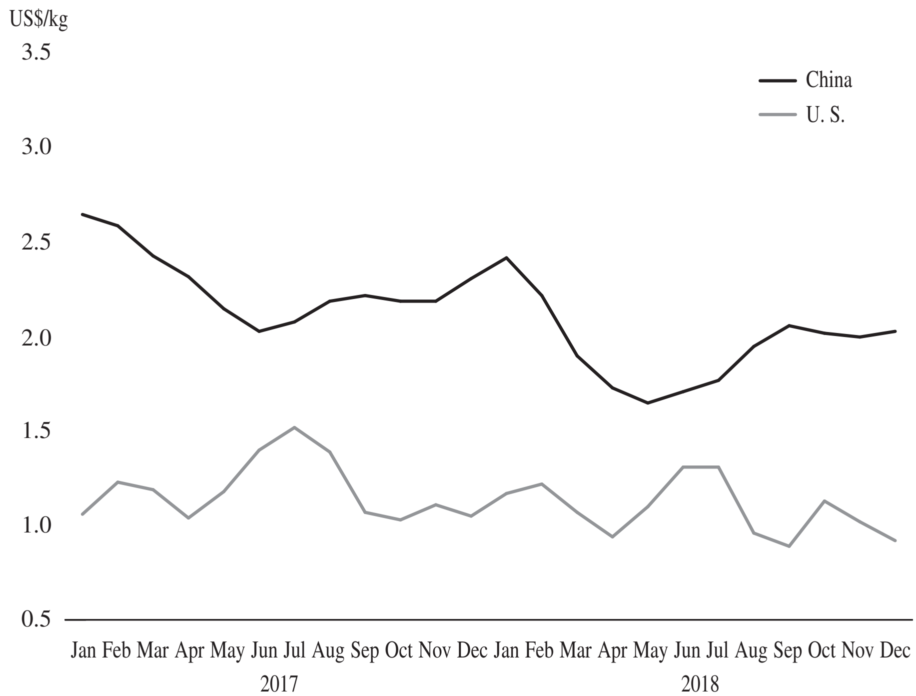
The U.S. is the second largest producer of pork worldwide. In contrast to the pork industry in China, the pork industry in the U.S. is relatively mature and concentrated. As the U.S. is also the largest pork exporter globally, the hog prices and pork value in the U.S. are driven by the supply and demand of its domestic and export markets. According to the United States Department of Agriculture (the "**USDA**"), overall animal protein production in the U.S. in 2018 was up by 1.4%, in which pork and beef rose 2.6% and 2.5% year over year respectively.

In response to the planned expansion in processing capacity, the production of hogs continued to increase steadily over the past two years. Therefore, the average hog price, according to Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.1 per kg during the year, a decrease of 9.0% over that of 2017.

The industry expansion on hog farms and in processing capacity resulted in the increase in pork production volume. More pork was marketed internationally. With reference to the statistics of the USDA, the export volume of U.S. pork and offals in 2018 was up slightly by 0.2% as compared to the previous year. The increase was mainly attributed to the discernible growth in exports to South Korea, Columbia and Japan. Exports to Mexico only attained a mild increase as the impact of Mexican tariffs on U.S. imported pork began to phase in during the latter half of the year. Exports to China, on the other hand, recorded a reduction of more than 30%. The reason for that was hog prices in China remained low during the year. The incremental tariffs resulted from the continuation of the trade disputes between the U.S. and China also reduced the competitiveness of U.S. pork products.

In terms of prices, due to over-abundant supply of pork and change in trade dynamics, the average pork cutout value for this year, as published by the USDA, decreased by 10.3% year over year. For most of the time in 2018, the pork cutout values were even lower than the average levels for the past three years. As the extent of decrease in pork value was greater than that of the hog price, profit margin of the processors was compressed.

Hog prices in China and U.S. during 2017 and 2018



Source: MOA and CME

II. RESULTS OF OPERATIONS

Our business primarily consists of the following three operating segments, namely packaged meats, fresh pork and hog production.

	2018	2017	Change
	US$ million		%
Revenue[1]			
— Packaged meats	**12,147**	11,777	3.1%
— Fresh pork	**9,136**	9,526	(4.1%)
— Hog production	**688**	572	20.3%
— Others[2]	**634**	504	25.8%
	22,605	22,379	1.0%
Operating profit/(loss)			
— Packaged meats	**1,547**	1,435	7.8%
— Fresh pork	**246**	547	(55.0%)
— Hog production	**(113)**	56	N.A.
— Others[2][3]	**(30)**	(177)	(83.1%)
	1,650	1,861	(11.3%)

Notes:

(1) Revenue refers to net external sales.

(2) Others revenue primarily represents sales of ancillary products and services. Others operating loss includes certain corporate expenses.

(3) Operating loss of our others segment in 2017 excluded a share-based payment of US$278 million.

The packaged meats segment has always been our core business. It accounted for 53.7% of the Group's revenue in 2018 (2017: 52.6%). Its contribution to the Group's operating profit was 93.8% in 2018 (2017: 77.1%).

Geographically, our operations in China contributed 32.4% and 55.9% of the revenue and operating profit of the Group in 2018 (2017: 33.3% and 43.1%) respectively. Contribution of our operations in the U.S. to the revenue and operating profit of the Group in 2018 were 58.3% and 37.3% (2017: 59.3% and 49.6%) respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	2018	2017	Change
	US$ million		%
Revenue			
China	**3,458**	3,312	4.4%
U.S.	**7,773**	7,807	(0.4%)
Europe	**916**	658	39.2%
	12,147	11,777	3.1%
Operating profit			
China	**712**	692	2.9%
U.S.	**785**	726	8.1%
Europe	**50**	17	194.1%
	1,547	1,435	7.8%

In 2018, our packaged meats business performed well on a groupwide basis. Sales volume increased by 2.3% to 3,361 thousand metric tons as we achieved growth in all markets in which we operate. In China, we have continued the transformation of our product portfolio by introducing more new products, expanding new channels and restructuring our research and development as well as sales forces. Driven by the good performance of our premium products, our sales volume in China increased by 1.1% over that of the last year. The volume growth in Europe was also notable, benefiting from organic growth and recent acquisitions.

Revenue during the year increased by 3.1% to US$12,147 million. In spite of the downward trending hog prices, the average sales prices of our packaged meats went up in China and Europe due to product mix improvement. The rise in sales prices, coupled with volume growth, caused the increase in revenue in these two markets. Revenue in the U.S. nearly stayed flat as the impact of product mix improvement was offset by the pricing pressure from the lower meat value.

Operating profit was US$1,547 million in 2018, 7.8% higher than last year. In China, the strong operating profit was driven mainly by higher sales prices and favorable raw materials costs. The relatively low hog prices during the year supported us to increase our inputs in product upgrade and marketing as well as to achieve a good margin. In the U.S., the key driving factors of the strong operating profit were product mix improvement as we were migrating our volumes to high value-added categories, along with favorable raw material costs as pork prices were lower than that of last year. Although higher wages and distribution costs offset part of the increase in our operating profit in the U.S., 2018 was a record year. In Europe, our operating profit increased significantly and our operating margin improved during the year. The primary reasons were the increase in sales price and sales volume. Our operating objective is to accelerate growth in Europe by continuous volume expansion and efficiency enhancement.

Fresh Pork

	2018	2017	Change
	US$ million		%
Revenue			
China	**3,584**	3,888	(7.8%)
U.S.	**4,790**	4,961	(3.4%)
Europe	**762**	677	12.6%
	9,136	9,526	(4.1%)
Operating profit			
China	**179**	103	73.8%
U.S.	**48**	433	(88.9%)
Europe	**19**	11	72.7%
	246	547	(55.0%)

In response to the shifts in demand and supply and the resulting movements in hog prices, we regulate our levels of slaughtering activity and adjust our meat prices in each respective market from time to time in order to maximise the profits.

Total number of hogs processed in 2018 was 56,068 thousand heads, an increase of 4.3% over that of 2017. In China, hog processing volume increased by 14.3% to 16,306 thousand heads during the year. In the first half of the year, we took advantage of the relatively low hog prices to expand our production and distribution. After the outbreak of ASF, we relied on our facilities which are widely established throughout the country and our cold-chain logistics network to seize the opportunities resulting from the dislocation of regional supplies and demands. Our operating strategy is to capture more market share through continuous volume expansion. In the U.S., our hog processing volume was lower than that of last year by 1.4% as our scale was constrained by unfavorable market fundamentals. In Europe, the number of hogs processed increased by 14.6% in 2018 to achieve the benefits of economies of scale. Like China, the increase in hog processing volume in Europe was also achieved by the improvement in utilisation of our existing facilities.

External sales volume of fresh pork in 2018 was 4,499 thousand metric tons, similar to the level of last year, as the net results of the different operating strategies deployed in China, the U.S. and Europe.

Fresh pork revenue decreased by 4.1% to US$9,136 million in 2018 as the increase in revenue in Europe was insufficient to offset the decrease in revenue in China and the U.S.. Revenue in China decreased by 7.8% from that of the last year because the impact of the downward-trending pork prices outweighed the increase in sales volume. Revenue in the U.S. reduced by 3.4% as a result of lower level of sales price and sales volume as compared to last year.

Our operating profit of fresh pork decreased from US$547 million in 2017 to US$246 million in 2018 as the decline in operating profit in the U.S. largely exceeded the increase in operating profit in China and Europe. In the U.S., our operating profit reduced considerably by 88.9% during the year. Such results manifested the impact of the extremely unfavorable market conditions in the U.S., including the high level of pork supply in the nation driven by industry expansion, as well as the weak exports to China driven by the narrowed hog price differential and incremental tariffs imposed by China on U.S. pork. The issues of oversupply and trade disruptions depressed the price of pork to a greater degree than the price of hogs and led to erosion of our profit margin. The increase in wages and distribution costs added further challenge to our operation. In contrast, we achieved significant growth in China and Europe. In China, the increase in operating profit by 73.8% was mainly benefiting from the growth of gross profit margin and the expansion of scale. In Europe, our operating profit grew primarily due to favorable costs and increased volume.

Hog Production

	2018	2017	Change
	US$ million		%
Revenue			
China	**8**	11	(27.3%)
U.S.	**619**	510	21.4%
Europe	**61**	51	19.6%
	688	572	20.3%
Operating profit/(loss)			
China	**5**	23	(78.3%)
U.S.	**(147)**	(68)	(116.2%)
Europe	**29**	101	(71.3%)
	(113)	56	N.A.

In 2018, hog production volume increased by 3.6% to 20,953 thousand heads. Revenue from hog production increased by 20.3% to US$688 million. However, an operating loss of US$113 million was recorded (2017: operating profit of US$56 million). The results of the year was primarily driven by the net impact of the reduction in hog prices and the gain from the hedging programs in the U.S..

Others

In addition to packaged meats, fresh pork and hog production, the Group also engages in certain other businesses which are ancillary to our three primary operating segments. Such other businesses include slaughtering and sales of poultry, manufacturing and sales of packaging materials, provision of logistics services, operation of a finance company and a chain of retail grocery stores, production of flavoring ingredients and natural casings, as well as sales of biological pharmaceutical materials.

In 2018, revenue generated by our other businesses amounted to US$634 million, a remarkable increase of 25.8% as compared to last year. Our logistics business in China and poultry business in Europe and China made a respective contribution to our other businesses. Our logistics business currently owns 17 logistics centers across 14 provinces covering the majority part of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely. Our poultry business processed approximately 122 million heads of broiler and turkey during the year. The growth of poultry business is an integral part of our strategy in protein diversification.

III. PRODUCTION CAPACITY

The Group has production facilities with state-of-the-art equipment located in China, the U.S. and part of Europe. As at the year end of 2018, we owned an annual production capacity of packaged meats of approximately 2.21 million, 1.75 million and 0.40 million metric tons with utilisation rates of 73.3%, 83.8% and 79.8% in China, U.S. and Europe, respectively. Annual production capacity of fresh pork in China, U.S. and Europe were approximately 24.87 million, 33.77 million and 6.23 million heads and their utilisation rates were 65.6%, 100.5% and 93.8%, respectively. The capacity stated above included the additional capacity introduced by the Acquisitions of Elit and Vericom (as defined hereinafter) during the year.

IV. CORPORATE SOCIAL RESPONSIBILITY

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. We conducted our materiality analysis this year by developing a process to identify key sustainability issues of our key stakeholders and prioritize the key concerns in a systematic approach, so as to guide our sustainability strategy and manage concerns which are deemed as most material to our stakeholders. The analysis results layout the foundation for material selection and preparation of our sustainability report.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our sustainability report to be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.wh-group.com) no later than three months after the publication of the Company's annual report.

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

		2018	2017	Change
Revenue growth rate	%/pp	**1.0**	3.9	(2.9)
EBITDA (before biological fair value adjustments) ratio margin(1)	%/pp	**9.3**	10.5	(1.2)
Operating profit margin(1)	%/pp	**7.3**	8.3	(1.0)
— Packaged meat products	%/pp	**12.7**	12.2	0.5
— Fresh pork	%/pp	**1.9**	4.2	(2.3)
— Hog production	%/pp	**(3.2)**	1.6	(4.8)
Per unit operating profit/(loss)				
— Packaged meat products	US$ per metric ton	**460.3**	436.9	23.4
— Fresh pork	US$ per head	**4.4**	10.2	(5.8)
— Hog production	US$ per head	**(5.4)**	2.8	(8.2)
Net profit (before biological fair value adjustments) margin(2)	%/pp	**5.6**	5.7	(0.1)
Current ratio	times	**1.6**	1.6	0.0
Cash conversion cycle	days	**36.0**	31.5	4.5
Debt to equity ratio	%/pp	**37.1**	38.9	(1.8)
Debt to EBITDA (before biological fair value adjustments) ratio(1)	times	**1.5**	1.4	0.1
Return on total assets	%/pp	**7.5**	9.1	(1.6)
Return on equity	%/pp	**12.4**	16.5	(4.1)

Notes:

(1) The indicators in 2017 were adjusted to exclude a share-based payment of US$278 million.

(2) The indicator in 2017 was adjusted to exclude the net benefit of US$314 million as a result of the U.S. Tax Reform (as defined hereinafter) and a share-based payment of US$278 million.

II. ANALYSIS OF CAPITAL RESOURCES

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, procurement of financing which is cost-efficient to the Group, liaison with banks and rating agencies, investment in financial products, corporate finance, as well as mitigation of financial risks such as interest and foreign exchange. The design of our treasury function aims at aligning with the long-term and short-term needs of the Group and conforming with good governance standard.

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US$525 million as at December 31, 2018 (2017: US$1,371 million), which were held primarily in Renminbi ("**RMB**"), U.S. Dollar ("**US$**"), Polish Zloty ("**PLN**") and Romanian Leu ("**RON**"). From time to time, we also hold certain financial products for yield enhancement purpose. Such financial products are classified as current financial assets at fair value through profit or loss. As at December 31, 2018, the balance was US$317 million (2017: Nil).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.6 times as at December 31, 2018 (2017: 1.6 times). The aggregate amount of unutilised banking facilities as at December 31, 2018 was US$2,893 million (2017: US$2,471 million).

Cash Flows

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

In 2018, our net cash from operating activities amounted to US$1,255 million (2017: US$1,512 million). The decrease was mainly driven by the operating results and the increase in inventories in China. Our net cash used in investing activities in 2018 amounted to US$1,217 million (2017: US$784 million). The change was mainly resulted from the increase in capital expenditures for the year and the deployment of a portion of cash in financial assets at the year end. Our net cash used in financing activities in 2018 amounted to US$790 million (2017: US$591 million). The change was mainly attributable to the increase in the amount of dividend paid in the year and the decrease in net borrowings in last year. After all, our net decrease in cash and cash equivalents was US$752 million in 2018 (2017: net increase of US$137 million).

Major Financing Activities

During the year, our Group established a commercial paper program of US$1,750 million for short-term liquidity needs. As at December 31, 2018, our outstanding balance of commercial papers was US$236 million in aggregate (2017: Nil).

In 2017, the Group completed the refinancing of debts and facilities with principal amount of US$2,900 million in aggregate and incurred a one-time loss on debt extinguishment of US$70 million so as to benefit from the lower interest rates associated with our improved credit profile ("**Refinancing**").

Debt Profile

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

	As at December 31, 2018	As at December 31, 2017
	US$ million	*US$ million*
Borrowings by nature		
Senior unsecured notes	**1,788**	1,785
Bank borrowings	**1,051**	1,164
Commercial paper	**236**	—
Medium term notes	**—**	154
Loans from third parties	**3**	3
Bank overdrafts	**41**	92
	3,119	3,198
Borrowings by geographical region		
U.S.	**2,362**	2,246
China	**621**	847
Europe	**136**	105
	3,119	3,198

The Group's total principal amount of outstanding borrowings as at December 31, 2018 was US$3,134 million (2017: US$3,215 million). The maturity profile is analysed as follows:

	Total
In 2019	28%
In 2020	14%
In 2021	22%
In 2022	14%
In 2023	3%
In 2027	19%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 78.8% of our borrowings was denominated in US$ as at December 31, 2018 (2017: 73.3%). The rest of our borrowings was denominated in RMB, Hong Kong Dollar ("**HK$**"), RON, PLN and Euro.

As at December 31, 2018, 88.0% of our borrowings were unsecured (2017: 96.6%). The increase in secured borrowings was due to higher utilisation of an account receivables securitisation program for the purpose of fulfilling our short-term funding requirement. Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no default in repayment of bank borrowings, nor did it breach any relevant finance covenants during the year.

Leverage Ratios

As at December 31, 2018, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 37.1% and 30.8%, respectively (2017: 38.9% and 22.2%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA before biological fair value adjustments) as at December 31, 2018 were 1.5 times and 1.2 times, respectively (2017: 1.4 times and 0.8 times, respectively).

Finance Costs

Our finance costs decreased from US$198 million in 2017 to US$115 million in 2018. The reduction was mainly due to the inclusion of the loss on debt extinguishment of US$70 million related to the Refinancing in the finance costs of last year.

As at December 31, 2018, the average interest rate of our total borrowings was 3.5% (2017: 3.4%).

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. Our Long-Term Foreign-Currency Issuer Default Rating ("**IDR**") and senior unsecured rating are BBB+ according to Fitch. Our long-term corporate credit rating is BBB according to Standard & Poor's. Our issuer rating is Baa2 according to Moody's. The outlook of these ratings is stable.

For our wholly-owned subsidiary, Smithfield Foods, Inc. ("**Smithfield**"), Fitch assigned to it an IDR of BBB with a stable outlook. According to Standard & Poor's, the corporate credit rating of Smithfield is BBB-. The outlook is stable. On March 6, 2018, Moody's upgraded Smithfield's corporate family rating to Ba1 from Ba2. The rating outlook is stable.

III. TAXATION

We operate in multiple taxing jurisdictions, mainly including China, the U.S., Hong Kong, Poland and Romania, and are subject to their changes in the tax policy, tax laws and relevant regulations.

Our taxation charges for 2018 were US$258 million as compared to US$182 million for 2017. The increase was predominantly caused by the change in our profit before tax and the enactment of the Tax Cuts and Jobs Act in the U.S. on December 22, 2017 (the "**U.S. Tax Reform**"). The U.S. Tax Reform led to a reduction of the federal statutory tax rate from 35% to 21%. Our U.S. business and the Group as a whole, benefited from the application of the new federal statutory tax rate of 21% in 2018. The re-measurement of our net deferred tax liabilities at the new federal statutory tax rate of 21% together with the recognition of an obligation on the deemed repatriation of the historical earnings from cash held abroad by our U.S. subsidiaries, also resulted in a one-time non-cash net benefit of US$314 million in 2017.

IV. CAPITAL EXPENDITURES

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

In 2018, capital expenditures amounted to US$811 million (2017: US$530 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2018 ***US$ million***	2017 *US$ million*
China	**84**	73
U.S.	**596**	400
Europe	**131**	57
	811	530

In China, our capital expenditures for the year were mainly related to a number of projects such as the expansion of our slaughtering facility in Dezhou and the alteration of our low-temperature packaged meats facility in Mianyang. In the U.S., our capital expenditures for the year were primarily related to the construction of a new distribution centre, the modernisation of our slaughtering plants as well as the integration of our ERP systems. In Europe, our capital expenditures for the year were mainly for the building of a poultry plant as well as the expansion and optimization of our existing facilities.

V. HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at December 31, 2018, we had approximately 112 thousand employees in total, in which approximately 57 thousand employees were with our China operation, approximately 41 thousand and 14 thousand employees were with our U.S. and European operations, respectively. The Group also provides training programs for the employees with a view to constantly improving their skills and knowledge. It is also our policy to ensure that remuneration for employees is appropriate and aligns with the goals, objectives and performances of the Group. Total remuneration expenses in 2018 amounted to US$3,518 million (2017: US$3,669 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement benefits scheme.

VI. BIOLOGICAL ASSETS

As at December 31, 2018, we had a total of 13,009 thousand hogs, consisting of 11,889 thousand market hogs and 1,120 thousand breeding stock, an increase of 5.4% from 12,337 thousand hogs as at December 31, 2017. We also had a total of 4,515 thousand poultry, consisting of 3,990 thousand broilers and 525 thousand breeding stock (2017: 4,762 thousand poultry). The fair value of our biological assets was US$1,094 million as at December 31, 2018, as compared to US$1,171 million as at December 31, 2017.

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

In 2018, the net impact of biological fair value adjustments on our profit was a loss in the amount of US$104 million, as compared to a profit in the amount of US$6 million of last year.

VII. KEY INVESTMENT INTERESTS

Internal Restructuring

On January 25, 2019, three major subsidiaries of the Company entered into a merger agreement ("**Internal Restructuring**"). The purpose of the Internal Restructuring is to enhance our governance by simplifying the holding structure and reducing the amount of connected transactions of the Group. No material financial impact on the Group is expected as a result of this Internal Restructuring. Details are available in the announcements of the Company dated January 20, 2019 and January 25, 2019.

Acquisition of Subsidiaries

On January 9, 2018, the Group completed the purchase of 100% equity interest of two Romanian companies that operate three packaged meats manufacturing facilities, five distribution centers and related assets to produce branded packaged meats (the "**Acquisitions of Elit and Vericom**"). The Acquisitions of Elit and Vericom increased our profitability in branded packaged meats and strengthened our leading position in the packaged meats market in Romania.

Mexican Joint Ventures

The Group has joint venture interests in two pork companies located in Mexico, Granjas Carroll de Mexico ("**GCM**") and Norson Holdings ("**Norson**"). GCM sells live hogs into the Mexico City market, one of the largest pork consumption markets in the world. Norson primarily produces hogs for use in its fresh pork operations. As at December 31, 2018, GCM and Norson had in aggregate approximately 148 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. In 2018, share of profit from the Mexican joint ventures was US$26 million (2017: US$14 million). It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

VIII. CONTINGENT LIABILITIES

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relation to compliance from time to time. In some instances, litigation ensues or individuals may initiate litigation against the Group. Details and updates on the North Carolina nuisance litigation case will be available in the annual report of the Company for the year ended December 31, 2018. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

IX. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee of the Company (the "**Risk Management Committee**") is mainly responsible to oversee the development and implementation of the Group's risk management system. The Group's risk management department assisted the Risk Management Committee to review the effectiveness of risk management process and risk management report submitted by management, in which key risks and mitigation measures were reported to the Risk Management Committee. In 2018, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management (the "**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group are effectively in place.

Commodities Price Risk

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

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

Currency and Interest Rate Risks

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

Our borrowings carry fixed or floating interest rates. At December 31, 2018, approximately 77.0% of our borrowings (other than bank overdrafts) were at fixed interest rates (2017: 80.2%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

OUTLOOK

The operating landscape, driven by economic growth, consumers' preference, industry cycle and epidemics, is always impacting our business. The recent exacerbated change of the dynamics in geopolitical relations and spread of ASF will further increase the uncertainties in our operations in the relevant regions.

Our business in China delivered strong results in 2018. To maintain vigorous growth, we will continuously expand our slaughtering volume and optimise our packaged meats portfolio. We will also proactively meet the challenges and resolve related risks resulting from ASF by leveraging on our own advantages. In regards of the U.S., we anticipate the greatest challenge will be the over-abundant supply of meats and the greatest inconstancy will be the solution to trade disputes between the U.S. and other countries. We expect the establishments of our Group in Europe are well positioned for further growth. In any event, we are making every endeavor to increase our competitiveness to improve profitability.

To conclude, we are a geographically diversified consumer goods company with branded packaged meats as our core business. With our stringent quality control and food safety systems, we will provide customers with high quality products. We believe that our relentless pursuit of our strategies will solidify our global leadership and lead to sustainable development.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended December 31, 2018, which have been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

		2018			2017		
	Notes	**Results before biological fair value adjustments** *US$'million*	**Biological fair value adjustments** *US$'million*	**Total** *US$'million*	Results before biological fair value adjustments *US$'million*	Biological fair value adjustments *US$'million*	Total *US$'million*
Revenue	3	**22,605**	**—**	**22,605**	22,379	—	22,379
Cost of sales		**(18,103)**	**196**	**(17,907)**	(17,766)	(295)	(18,061)
Gross profit		**4,502**	**196**	**4,698**	4,613	(295)	4,318
Distribution and selling expenses		**(2,139)**	**—**	**(2,139)**	(1,930)	—	(1,930)
Administrative expenses		**(732)**	**—**	**(732)**	(823)	—	(823)
(Loss) gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(209)**	**(209)**	—	305	305
(Loss) gain arising from changes in fair value less costs to sell of biological assets		**—**	**(130)**	**(130)**	—	13	13
Other income	4	**98**	**—**	**98**	113	—	113
Other gains and losses	5	**(21)**	**—**	**(21)**	7	—	7
Other expenses	6	**(74)**	**—**	**(74)**	(326)	—	(326)
Finance costs	7	**(115)**	**—**	**(115)**	(198)	—	(198)
Share of profits of associates		**8**	**—**	**8**	8	—	8
Share of profits of joint ventures		**23**	**4**	**27**	14	—	14
PROFIT BEFORE TAX	8	**1,550**	**(139)**	**1,411**	1,478	23	1,501
Taxation	9	**(293)**	**35**	**(258)**	(165)	(17)	(182)
PROFIT FOR THE YEAR		**1,257**	**(104)**	**1,153**	1,313	6	1,319

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

For the year ended December 31, 2018

	Note	2018			2017		
		Results before biological fair value adjustments	**Biological fair value adjustments**	**Total**	Results before biological fair value adjustments	Biological fair value adjustments	Total
		US$'million	***US$'million***	***US$'million***	*US$'million*	*US$'million*	*US$'million*
Other comprehensive (expense) income for the year:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**(6)**			(75)
— remeasurement on deferred tax assets related to amounts recorded in accumulated other comprehensive (expense) income				**—**			(30)
				(6)			(105)
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				**(198)**			333
— fair value change in cash flow hedge, net of tax				**6**			(11)
				(192)			322
Other comprehensive (expense) income for the year, net of tax				**(198)**			217
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**955**			1,536
Profit for the year attributable to							
— owners of the Company				**943**			1,133
— non-controlling interests				**210**			186
				1,153			1,319
Total comprehensive income for the year attributable to							
— owners of the Company				**783**			1,301
— non-controlling interests				**172**			235
				955			1,536
EARNINGS PER SHARE	*11*						
— Basic (US cents)				**6.43**			7.79
— Diluted (US cents)				**6.40**			7.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 US$'million	2017 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**5,300**	5,037
Prepaid lease payments		**175**	197
Biological assets	*13*	**147**	181
Goodwill		**1,847**	1,838
Intangible assets		**1,734**	1,742
Interests in associates		**150**	155
Interests in joint ventures		**202**	140
Other receivables		**40**	41
Available-for-sale investments		**—**	7
Financial assets at fair value through profit or loss		**7**	—
Pledged bank deposits		**4**	5
Deferred tax assets		**57**	58
Other non-current assets		**175**	191
Total non-current assets		**9,838**	9,592
CURRENT ASSETS			
Properties under development		**30**	—
Prepaid lease payments		**5**	5
Biological assets	*13*	**947**	990
Inventories	*14*	**2,022**	1,905
Trade and bills receivables	*15*	**1,135**	989
Prepayments, other receivables and other assets		**358**	222
Taxation recoverable		**67**	115
Financial assets at fair value through profit or loss		**317**	—
Pledged/restricted bank deposits		**54**	69
Bank balances and cash		**525**	1,371
Total current assets		**5,460**	5,666
CURRENT LIABILITIES			
Trade payables	*16*	**977**	1,076
Accrued expenses and other payables	*17*	**1,430**	1,472
Taxation payable		**61**	50
Borrowings	*18*	**819**	809
Bank overdrafts	*18*	**41**	92
Total current liabilities		**3,328**	3,499
NET CURRENT ASSETS		**2,132**	2,167
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,970**	11,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At December 31, 2018

	Notes	**2018** **US$'million**	2017 *US$'million*
NON-CURRENT LIABILITIES			
Other payables	*17*	**214**	199
Obligations under finance leases		**23**	23
Borrowings	*18*	**2,259**	2,297
Deferred tax liabilities		**598**	639
Deferred revenue		**10**	11
Pension liability and other retirement benefits		**448**	368
Total non-current liabilities		**3,552**	3,537
NET ASSETS		**8,418**	8,222
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**7,745**	7,444
Equity attributable to owners of the Company		**7,746**	7,445
Non-controlling interests		**672**	777
TOTAL EQUITY		**8,418**	8,222

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
	US$ million	*US$ million*
Net cash from operating activities	**1,255**	1,512
Net cash used in investing activities	**(1,217)**	(784)
Net cash used in financing activities	**(790)**	(591)
Net (decrease) increase in cash and cash equivalents	**(752)**	137
Effect of foreign exchange rate changes	**(43)**	19
Cash and cash equivalents at January 1	**1,279**	1,123
Cash and cash equivalents at December 31	**484**	1,279
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**525**	1,371
Bank overdrafts	**(41)**	(92)
	484	1,279

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended December 31, 2018

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

WH Group Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. Its immediate holding company is Heroic Zone Investments Limited ("Heroic Zone"), which is incorporated in the British Virgin Islands, while its ultimate holding company is Rise Grand Group Limited, also incorporated in the British Virgin Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on August 5, 2014.

The Company acts as an investment holding company. The consolidated financial information of the Company for the year ended December 31, 2018 comprises the Company and its entities (including structured entities, controlled by the Group) (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in production and sales of packaged meats and fresh pork as well as hog production.

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

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

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the consolidated financial information.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before January 1, 2018, thus the comparative figures have not been restated.

Except for the reclassification effect below, the adoption of IFRS 15 do not have material financial impact on the Group's consolidated financial information.

Reclassifications were made as at December 31, 2018 to be consistent with the terminology used under IFRS 15 and, accordingly, advances received from customers (2017: US$98 million) were reclassified from deposit received to contract liabilities under accrued expenses and other payables.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group elected to apply existing hedge accounting requirements under IAS 39 until IASB completes their macro hedging project, the Group has applied IFRS 9 retrospectively in accordance with the transition requirements, with the initial application date of January 1, 2018. The Group has elected not to adjust the comparative information for the period beginning January 1, 2017, which the comparative information was prepared under classification and measurement requirements of IAS 39.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Classification and measurement

On January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into appropriate IFRS 9 categories.

The available-for-sale investments (2017: US$7 million) were reclassified to financial asset at fair value through profit or loss ("FVPL"). Except for the reclassification mentioned above, the adoption of IFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

Impairment

The adoption of IFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2018 ***US$'million***	2017 *US$'million*
Packaged meats	**12,147**	11,777
Fresh pork	**9,136**	9,526
Hog production	**688**	572
Others	**634**	504
	22,605	22,379

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

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

(i)	Packaged meats	—	represents production, wholesale and retail sales of low temperature and high temperature meat products.
(ii)	Fresh pork	—	represents slaughtering, wholesale and retail sales of fresh and frozen meat.
(iii)	Hog production	—	represents hog farming.
(iv)	Others	—	represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics, sales of flavouring ingredients and internally-produced packaging materials, as well as operating finance companies, retail business and biopharmaceuticals, retail of meat related products, and corporate expenses incurred by the Group.

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

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

	For the year ended December 31, 2018				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
China					
Gross segment revenue	**3,458**	**4,355**	**59**	**545**	**8,417**
Less: Inter-segment revenue	**—**	**(771)**	**(51)**	**(267)**	**(1,089)**
Revenue	**3,458**	**3,584**	**8**	**278**	**7,328**
Reportable segment profit	**712**	**179**	**5**	**26**	**922**
United States					
Gross segment revenue	**7,777**	**7,333**	**2,761**	**—***	**17,871**
Less: Inter-segment revenue	**(4)**	**(2,543)**	**(2,142)**	**—**	**(4,689)**
Revenue	**7,773**	**4,790**	**619**	**—***	**13,182**
Reportable segment profit (loss)	**785**	**48**	**(147)**	**(71)**	**615**
Europe					
Gross segment revenue	**957**	**1,273**	**686**	**461**	**3,377**
Less: Inter-segment revenue	**(41)**	**(511)**	**(625)**	**(105)**	**(1,282)**
Revenue	**916**	**762**	**61**	**356**	**2,095**
Reportable segment profit	**50**	**19**	**29**	**15**	**113**
Total					
Gross segment revenue	**12,192**	**12,961**	**3,506**	**1,006**	**29,665**
Less: Inter-segment revenue	**(45)**	**(3,825)**	**(2,818)**	**(372)**	**(7,060)**
Revenue	**12,147**	**9,136**	**688**	**634**	**22,605**
Reportable segment profit (loss)	**1,547**	**246**	**(113)**	**(30)**	**1,650**
Net unallocated expenses					**(16)**
Biological fair value adjustments					**(139)**
Finance costs					**(115)**
Share of profits of associates					**8**
Share of profits of joint ventures					**23**
Profit before tax					**1,411**

* Less than US$1 million.

3. REVENUE AND SEGMENT INFORMATION (continued)

	For the year ended December 31, 2017				
	Packaged meats	Fresh pork	Hog production	Others	Total
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
China					
Gross segment revenue	3,312	4,491	75	456	8,334
Less: Inter-segment revenue	—	(603)	(64)	(221)	(888)
Revenue	3,312	3,888	11	235	7,446
Reportable segment profit (loss)	692	103	23	(293)	525
United States					
Gross segment revenue	7,810	7,916	2,854	—	18,580
Less: Inter-segment revenue	(3)	(2,955)	(2,344)	—	(5,302)
Revenue	7,807	4,961	510	—	13,278
Reportable segment profit (loss)	726	433	(68)	(168)	923
Europe					
Gross segment revenue	696	1,143	636	354	2,829
Less: Inter-segment revenue	(38)	(466)	(585)	(85)	(1,174)
Revenue	658	677	51	269	1,655
Reportable segment profit	17	11	101	6	135
Total					
Gross segment revenue	11,818	13,550	3,565	810	29,743
Less: Inter-segment revenue	(41)	(4,024)	(2,993)	(306)	(7,364)
Revenue	11,777	9,526	572	504	22,379
Reportable segment profit (loss)	1,435	547	56	(455)	1,583
Net unallocated income					71
Biological fair value adjustments					23
Finance costs					(198)
Share of profits of associates					8
Share of profits of joint ventures					14
Profit before tax					1,501

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

4. OTHER INCOME

	2018 *US$'million*	2017 *US$'million*
Government subsidy	**43**	47
Bank interest income	**12**	12
Income on sales of raw materials	**8**	9
Rental income	**—***	7
Others	**35**	38
	98	113

5. OTHER GAINS AND LOSSES

	2018 *US$'million*	2017 *US$'million*
(Loss) gain on non-qualified retirement plan assets	**(6)**	14
Gain on maturity of available-for-sale investments	**—**	8
Fair value gain on financial assets at fair value through profit or loss	**15**	—
Gain on disposal of a subsidiary	**—**	4
(Loss) gain on disposal of property, plant and equipment	**(2)**	8
Impairment loss on other non-current assets	**(12)**	(13)
Impairment loss recognised in respect of property, plant and equipment	**(4)**	(12)
Net exchange losses	**(15)**	(9)
Others	**3**	7
	(21)	7

* Less than US$1 million.

6. OTHER EXPENSES

	2018 *US$'million*	2017 *US$'million*
Share-based payments	**(21)**	(313)
Others	**(53)**	(13)
	(74)	(326)

7. FINANCE COSTS

	2018 *US$'million*	2017 *US$'million*
Amortisation of transaction costs	**(5)**	(4)
Interests on senior unsecured notes	**(61)**	(64)
Interests on medium-term unsecured notes	**(4)**	(6)
Interests on bank and other loans	**(55)**	(55)
Loss on debt extinguishment	**—**	(70)
Less: Amounts capitalised in the cost of qualifying assets	**10**	1
	(115)	(198)

8. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging:

	2018 *US$'million*	2017 *US$'million*
Auditor's remuneration		
Audit services	**4**	3
Non-audit services	**—***	—*
Depreciation of property, plant and equipment	**428**	382
Amortisation of intangible assets included in administrative expenses	**9**	7
Release of prepaid lease payments	**4**	5
Write-down of inventories included in cost of sales	**106**	49
Net allowance on trade receivables	**2**	1
Minimum lease payments under operating leases	**223**	206
Research and development expenses	**131**	99
Staff costs (excluding directors' remuneration)	**3,501**	3,354

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

* Less than US$1 million.

9. TAXATION

	2018	2017
	US$'million	*US$'million*
China Enterprise Income Tax ("EIT")	**(196)**	(188)
The U.S. income tax	**(51)**	(219)
Other income taxes	**(16)**	8
Withholding tax	**(33)**	(46)
Deferred taxation	**38**	263
	(258)	(182)

10. DIVIDENDS

	2018	2017
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2017 final dividend of HK 22 cents per share (2016: HK 21 cents)	**411**	395
2018 interim dividend of HK 5 cents per share (2017: HK 5 cents)	**94**	94
	505	489

The final dividend of HK 15 cents per share in respect of the year ended December 31, 2018 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2018	2017
	US$'million	*US$'million*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**943**	1,133
	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,674.83**	14,541.85
Effect of dilutive potential ordinary shares:		
Share options	**65.06**	49.33
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,739.89**	14,591.18

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$818 million (2017: US$563 million) on addition of property, plant and equipment.

13. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

	2018	2017
	Head '000	*Head '000*
Live hogs		
— suckling	**1,757**	1,685
— nursery	**2,122**	2,100
— finishing	**8,010**	7,446
	11,889	11,231
Breeding stock (hogs)	**1,120**	1,106
	13,009	12,337
Broilers	**3,990**	4,245
Breeding stock (poultry)	**525**	517
	4,515	4,762

Analysed for reporting purposes as:

	2018	2017
	US$'million	*US$'million*
Current	**947**	990
Non-current	**147**	181
	1,094	1,171

13. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3

	2018	2017
	US$'million	*US$'million*
Biological assets		
Live hogs	**942**	985
Breeding stock (hogs)	**145**	177
Broilers	**5**	5
Breeding stock (poultry)	**2**	4
	1,094	1,171

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

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

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

14. INVENTORIES

	2018	2017
	US$'million	*US$'million*
Raw materials	**733**	700
Work in progress	**99**	116
Finished goods	**1,190**	1,089
	2,022	1,905

15. TRADE AND BILLS RECEIVABLES

	2018	2017
	US$'million	*US$'million*
Trade receivables	**1,137**	994
Impairment	**(12)**	(10)
	1,125	984
Bills receivables	**10**	5
	1,135	989

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

	2018	2017
	US$'million	*US$'million*
Age		
Current to 30 days	**957**	882
31 to 90 days	**178**	105
91 to 180 days	**—***	2
	1,135	989

* Less than US$1 million.

16. TRADE PAYABLES

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

	2018	2017
	US$'million	*US$'million*
Trade payables	**977**	1,076

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

	2018	2017
	US$'million	*US$'million*
Age		
0 to 30 days	**923**	1,058
31 to 90 days	**40**	13
91 to 180 days	**7**	2
181 to 365 days	**7**	3
	977	1,076

17. ACCRUED EXPENSES AND OTHER PAYABLES

	2018	2017
	US$'million	*US$'million*
Accrued staff costs	**373**	486
Deposits received	**104**	190
Sales rebates payables	**238**	247
Payables in respect of acquisition of property, plant and equipment	**110**	146
Insurance payables	**135**	141
Interest payable	**25**	28
Balance of contingent consideration in respect of acquisition of subsidiaries	**11**	17
Growers payables	**41**	41
Pension liability	**14**	12
Amounts due to associates	**11**	9
Derivative financial instruments	**14**	11
Accrued professional expenses	**64**	40
Accrued rent and utilities	**32**	34
Dividend payable	**10**	13
Contract liabilities	**161**	—
Other accrued expenses	**174**	128
Other payables	**127**	128
	1,644	1,671
Analysed for reporting purposes as:		
Current liabilities	**1,430**	1,472
Non-current liabilities	**214**	199
	1,644	1,671

18. BORROWINGS

	2018	2017
	US$'million	*US$'million*
Senior unsecured notes:		
2.700% senior unsecured notes due January 2020	**399**	398
2.650% senior unsecured notes due October 2021	**397**	396
3.350% senior unsecured notes due February 2022	**397**	397
4.250% senior unsecured notes due February 2027	**595**	594
	1,788	1,785
Medium-term unsecured notes	**—**	154
Commercial papers	**236**	—
Bank loans:		
Secured	**374**	107
Unsecured	**677**	1,015
Loans from third parties:		
Secured	**1**	1
Unsecured	**2**	2
Other loan	**—**	42
Total borrowings other than bank overdrafts	**3,078**	3,106
Bank overdrafts	**41**	92
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**819**	809
One to two years	**451**	131
Two to five years	**1,211**	1,569
After five years	**597**	597
	3,078	3,106
Less: Amounts due within one year shown under current liabilities	**(819)**	(809)
Amounts due after one year	**2,259**	2,297
Total borrowings other than bank overdrafts:		
At fixed rates	**2,370**	2,492
At floating rates	**708**	614
	3,078	3,106

18. BORROWINGS (continued)

	2018	2017
	US$'million	*US$'million*
Analysis of borrowings by currency:		
Denominated in US$	**2,458**	2,340
Denominated in RMB	**464**	625
Denominated in PLN	**76**	27
Denominated in RON	**60**	78
Denominated in HK$	**18**	34
Denominated in EUR	**2**	2
	3,078	3,106

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don, has discussed with the external auditor of the Company, Ernst & Young ("**EY**"), and reviewed the Group's consolidated financial information for the year ended December 31, 2018, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the Group's consolidated financial information comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial information for the year ended December 31, 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes to the consolidated financial information thereto for the year ended December 31, 2018 as set out in this announcement have been agreed by EY, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the year ended December 31, 2018, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1 of the CG Code — Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wan Long ("**Mr. Wan**") currently holds both positions.

The Board considers that having Mr. Wan acting as both the Chairman and Chief Executive Officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management of the Company. Further, in view of Mr. Wan's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board considers it is beneficial to the business prospects of the Group that Mr. Wan continues to act as both the Chairman and Chief Executive Officer of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards under the Code of Conduct throughout the year ended December 31, 2018.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.15 per share for the year ended December 31, 2018 (the "**2018 Final Dividend**") to the shareholders (the "**Shareholders**") of the Company subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company. Taking into account of the interim dividend of HK$0.05 per share paid on September 12, 2018, total dividend for the year ended December 31, 2018 will be HK$0.20 per share (2017: HK$0.27 per share). The 2018 Final Dividend is expected to be paid in cash to the Shareholders on or about Friday, June 21, 2019.

CLOSURE OF REGISTER OF MEMBERS

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

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

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the Annual General Meeting, the registers of members of the Company will be closed from Thursday, May 23, 2019 to Tuesday, May 28, 2019, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar (the "**Branch Share Registrar**") in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, May 22, 2019.

(ii) To qualify for the proposed 2018 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2018 Final Dividend, the registers of members of the Company will be closed from Tuesday, June 4, 2019 to Thursday, June 6, 2019, both days inclusive. In order to qualify for the proposed 2018 Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Branch Share Registrar not later than 4:30 p.m. on Monday, June 3, 2019.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, May 28, 2019. The notice of the Annual General Meeting will be published and despatched to the Shareholders in due course, and in any event not later than 20 clear business days before the Annual General Meeting.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2018 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, March 15, 2019

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.