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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 NINE MONTHS ENDED SEPTEMBER 30, 2019**

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 nine months ended September 30, 2019 (“**9M 2019**” 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

	9M 2019		9M 2018	
Key operating data				
Hogs produced (thousand heads)		15,977		15,004
Hogs processed (thousand heads)		40,971		40,969
Packaged meats sold (thousand metric tons)		2,439		2,431
	9M 2019		9M 2018	
	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		US\$ million	
	<i>(unless otherwise stated)</i>		<i>(unless otherwise stated)</i>	
Key financial data				
Revenue	17,193	17,193	16,585	16,585
EBITDA	1,731	1,799	1,583	1,424
Operating profit	1,295	1,295	1,208	1,208
Profit attributable to owners of the Company	820	874	756	638
Basic earnings per share (US cents)	5.58	5.95	5.15	4.35
			As at September 30, 2019	As at December 31, 2018
			US\$ million	US\$ million
Total assets			16,628	15,298
Equity attributable to owners of the Company			8,332	7,746

- Revenue increased by 3.7%
- Operating profit increased by 7.2%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 8.5%

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 RMB17.0 (equivalent to approximately US\$2.48) per kilogram (“kg”), a significant increase of 34.9% from that of the nine months ended September 30, 2018 (“9M 2018” or the “Comparable Period”) as a result of the supply shortage amid the spread of African Swine Fever (“ASF”). In the United States of America (the “U.S.”), the average hog price and meat value for the Period increased by 4.5% (to US\$1.16 per kg) and 0.6% respectively as the spread of ASF in China drove up global prices but disputes with various trading counterparts constrained export sales.

RESULTS OF OPERATIONS

	Packaged meats	Fresh pork	Hog production <i>US\$ million</i>	Others ⁽³⁾	Total
9M 2019					
Revenue⁽¹⁾					
China	2,701	3,118	2	296	6,117
U.S.	5,537	3,476	526	—	9,539
Europe ⁽²⁾	655	607	40	235	1,537
	<u>8,893</u>	<u>7,201</u>	<u>568</u>	<u>531</u>	<u>17,193</u>
Operating profit/(loss)					
China	497	194	(10)	28	709
U.S.	601	(20)	26	(106)	501
Europe ⁽²⁾	46	(18)	54	3	85
	<u>1,144</u>	<u>156</u>	<u>70</u>	<u>(75)</u>	<u>1,295</u>

	Packaged meats	Fresh pork	Hog production <i>US\$ million</i>	Others ⁽³⁾	Total
9M 2018					
Revenue⁽¹⁾					
China	2,670	2,679	6	205	5,560
U.S.	5,546	3,598	465	—	9,609
Europe ⁽²⁾	628	520	41	227	1,416
	<u>8,844</u>	<u>6,797</u>	<u>512</u>	<u>432</u>	<u>16,585</u>
Operating profit/(loss)					
China	564	126	3	21	714
U.S.	556	2	(79)	(73)	406
Europe ⁽²⁾	39	10	33	6	88
	<u>1,159</u>	<u>138</u>	<u>(43)</u>	<u>(46)</u>	<u>1,208</u>

Notes:

- (1) Revenue refers to net external sales.
- (2) Europe denotes mainly our operations in Poland and Romania.
- (3) Others primarily represents sales of ancillary products and services. Others operating loss includes certain corporate expenses.

Packaged Meats

During the Period, volume growth of our packaged meats was 0.3% as sales volume in China and the U.S. remained stable. Revenue increase of 0.6% was primarily caused by the selling price adjustments in China. Operating profit decreased slightly by 1.3% as the margin in China was adversely affected by the soaring raw material costs. However, operating profit in the U.S. and Europe was notably up by 8.1% and 17.9% respectively due to enhanced product mix and improved operating efficiency.

Fresh Pork

Total number of hogs processed in the Period was similar to that of the Comparable Period as the increase in Europe led by capacity expansion was offset by the decrease in China resulting from the stringent hog supplies amid the spread of ASF. External sales volume of fresh pork was 3.5% lower than the Comparable Period as we adjusted our operating strategy. Operating profit increased by 13.0% in the Period. The growth driver

was our operation in China, which rose significantly by 54.0%, as we benefited from our competitive edges in national presence and good inventory management. In contrast, our operation in the U.S. and Europe were loss-making primarily due to compression of the spread between hog and pork prices.

Hog Production

In the Period, our hog production volume increased by 6.5%. Operating profit was US\$70 million (Comparable Period: loss of US\$43 million). The turnaround was mainly driven by the higher hog prices and favourable hedging results in the U.S. during the Period. Our operating profit in Europe also increased as it had benefited from the price hike caused by the spread of ASF in China and Europe. Operation in China, however, was negatively impacted by ASF as cost structure was worsened.

INTERNAL RESTRUCTURING

On January 25, 2019, three major subsidiaries of the Company, namely Rotary Vortex Limited (“**Rotary Vortex**”), Henan Luohe Shuanghui Industry Group Co., Ltd. (“**Shuanghui Group**”) and Henan Shuanghui Investment & Development Co., Ltd. (“**Shuanghui Development**”), entered into a merger agreement for the purpose of enhancing our governance by simplifying the holding structure and reducing the amount of connected transactions of the Group. The restructuring process was completed by the end of the Period. As a result, Shuanghui Group ceased operation. Its assets, liabilities, employees, contracts and any other rights and obligations were succeeded by Shuanghui Development. The Company, through Rotary Vortex, effectively holds approximately 73.41% equity interest in Shuanghui Development (prior to completion of such restructuring: approximately 73.25% through Rotary Vortex and Shuanghui Group).

ACQUISITION

On May 28, 2019, the Group completed the purchase of the remaining interest of 66.5% in Pini Polonia Sp. z o.o. (“**Pini Polonia**”) and converted it into an indirect wholly-owned subsidiary of the Group. Pini Polonia operates a hog slaughterhouse in Poland with an annual production capacity of approximately 4 million hogs. The completion of the acquisition of Pini Polonia enabled us to expand our scale and improve our efficiency in the fresh pork market in Poland.

MAJOR FINANCING ACTIVITY

On April 1, 2019, the Group completed the issuance of 5.200% senior unsecured notes with an aggregate principal amount of US\$400 million due 2029 to refinance part of its existing debts and replenish working capital.

OUTLOOK

The Group continued to deliver solid results in the Period. Going forward, although the global political economic climate and industry environment will bring both opportunities and threats to us from time to time, we will constantly strive for unceasing growth by responding timely and appropriately.

REVIEW OF FINANCIAL INFORMATION

The Group's financial information for the nine months ended September 30, 2019 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, October 28, 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.