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, 2019

HIGHLIGHTS

	2019	2018
Key operating data		
Hogs produced (thousand heads)	**21,805**	20,953
Hogs processed (thousand heads)	**53,797**	56,068
Packaged meats sold (thousand metric tons)	**3,345**	3,361

	2019		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 (unless otherwise stated)		*US$ million (unless otherwise stated)*	
Key financial data				
Revenue	**24,103**	**24,103**	22,605	22,605
EBITDA	**2,671**	**2,777**	2,106	1,967
Operating profit	**2,031**	**2,031**	1,650	1,650
Profit attributable to owners of the Company	**1,378**	**1,465**	1,046	943
Basic earnings per share (US cents)	**9.37**	**9.96**	7.13	6.43
Dividend per share (HK$)				
Interim	**0.05**	**0.05**	0.05	0.05
Final	**0.265**	**0.265**	0.15	0.15
	0.315	**0.315**	0.20	0.20

- Revenue increased by 6.6%
- Operating profit increased by 23.1%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 31.7%

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, 2019.

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.

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 its regulatory environment, as well as the pace of economic growth and improvement of people's living standard. Nevertheless, the short-term trend is impacted by the industry cycle and animal epidemic.

In 2019, China's pork industry experienced unprecedented volatility due to the spread of African Swine Fever ("**ASF**"), a severe viral disease communicable amongst domestic and wild hogs. According to the Ministry of Agriculture and Rural Affairs of the People's Republic of China ("**MOA**"), 63 cases of ASF were reported and 390 thousand heads of hogs were culled nationwide throughout the year.

Due to the ease of transmission and lack of approved vaccine, ASF became the key factor that brought down the volumes of hog production and pork supply. With reference to the data published by the National Bureau of Statistics of China, the total production of hogs in 2019 was 544 million heads, 21.6% lower than 2018. The total production of pork was 42.6 million tons, a decrease of 21.3% as compared to the previous year. For the number of hog inventory and breeding sows, as disclosed by MOA, their levels of year-on-year reduction continued to enlarge from the beginning to about the end of the third quarter of 2019. By October, such decreases were at 41.4% and 37.8% respectively.

As a result, hog prices had been breaking records in 2019 and reached a peak of over 40.0 Renminbi ("**RMB**") per kilogram ("**kg**") about the end of October. According to the data of MOA, the average hog price for the entire year was RMB21.2 (approximately US$3.1) per kg, a substantial increase of 63.3% over that of 2018. The surge of hog prices resulted in a sharp increase in pork prices, which weakened the demand for pork and promoted the consumption of other meats.

However, given the importance of pork in Chinese diet, the supply shortage remained huge. Coupled with the high prices, importation of pork became very conducive. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork during the year was 2.11 million tons, 1.8 times higher than that of 2018. Key importing regions to China in 2019 were European Union, the U.S. and Brazil in descending order of volume.

To contain the epidemic, rationalise the industry, restore production and curb retail pork prices, the Chinese government adopted a series of bold measures, such as restricting the transportation of live hogs, tightening the inspections in the slaughtering process, establishing the "Green Channel System" for chill pork, incentivizing the standardisation of large scaled hog farming and supporting the enhancement of industrial supply chain. These measures provided both near and long terms policy guidance to the practitioners.

Benefiting from the different measures being taken by the government and the practitioners, the forward indicator of production started to show positive signs in the last quarter of 2019. Based on the statistics reported by MOA, the number of breeding sows in December 2019 grew 2.2% month over month and was 7.0% higher than that in September 2019.

U.S.

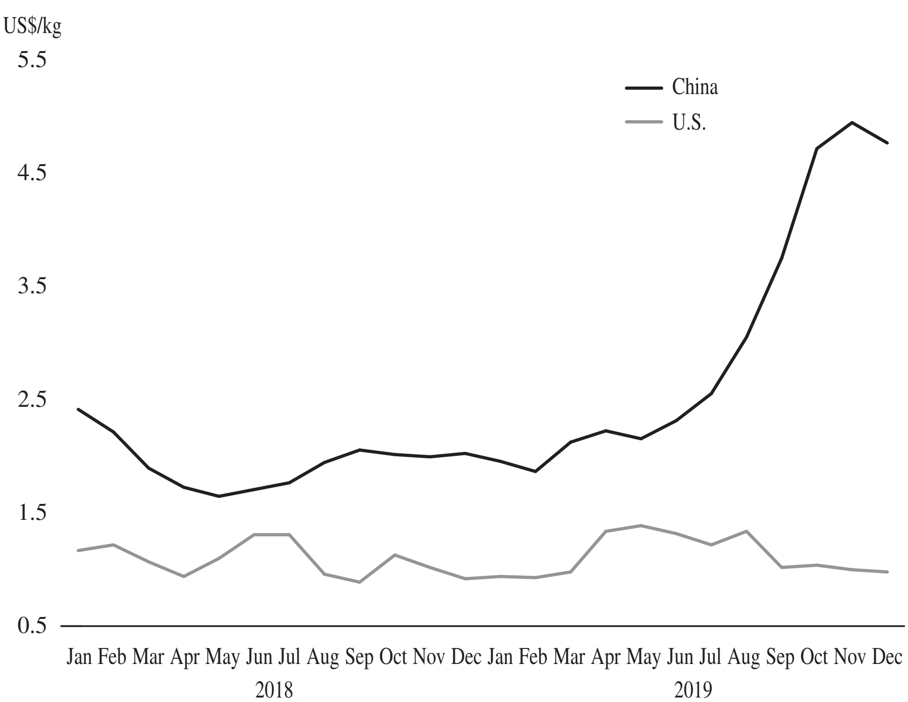
The U.S. is the second largest producer of pork worldwide. In contrast to the pork industry in China, the pork industry in the U.S. is relatively mature and concentrated. As the U.S. is also the largest pork exporter globally, hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets.

With reference to the statistics of the United States Department of Agriculture (the "**USDA**"), overall animal protein production in the U.S. was up by 3.1% in 2019, in which pork rose 5.0%, beef rose 0.8% and chicken rose 3.6%. With respect to the increase in pork, the major driver was the expansion of hog production volume as the breeding herd grew and productivity improved.

With the continuous increase in production, more pork was expected to be marketed internationally to temper the local supply-demand imbalance. The supply shortage in China, along with the spread of ASF, boosted pork prices in China and other countries, and increased exports opportunities in the U.S.. Inspite of the upside limitation imposed by trade barriers, the export volume of U.S. pork and offals in 2019 was up by 9.5% according to the USDA. The increase in total exports was mainly due to the discernible expansion of exports to China. In 2019, U.S. exports to China was 2.9 times that of 2018 as the China-U.S. price spread enlarged. U.S. exports to other major countries such as Mexico and Korea, on the other hand, recorded a double-digit decrease primarily caused by more trades being shifted to China.

Driven by the fact that epidemic dragged global supplies, the average hog price, as published by Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.12 per kg in 2019, an increase of 3.7% over that of 2018. Supported by the favourable export environment, the average pork cutout value for 2019, as published by the USDA, also increased by 2.6%.

Hog prices in China and the U.S. during 2018 and 2019



Sources : 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.

	2019	2018	Change
	US$ million		%
Revenue[1]			
— Packaged meats	**12,331**	12,147	1.5%
— Fresh pork	**10,078**	9,136	10.3%
— Hog production	**937**	688	36.2%
— Others	**757**	634	19.4%
	24,103	22,605	6.6%
Operating profit/(loss)			
— Packaged meats	**1,574**	1,547	1.7%
— Fresh pork	**403**	246	63.8%
— Hog production	**167**	(113)	N/A
— Others[2]	**(113)**	(30)	276.7%
	2,031	1,650	23.1%

Notes:

(1) Revenue refers to net external sales.

(2) Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 51.2% of the Group's revenue in 2019 (2018: 53.7%). Its contribution to the Group's operating profit was 77.5% in 2019 (2018: 93.8%).

Geographically, our operations in China contributed 36.3% and 47.1% of the revenue and operating profit of the Group in 2019 (2018: 32.4% and 55.9%) respectively. Contribution of our operations in the U.S. to the revenue and operating profit of the Group in 2019 were 54.6% and 45.9% (2018: 58.3% and 37.3%) respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	2019	2018	Change
	US$ million		%
Revenue			
China	**3,615**	3,458	4.5%
U.S.	**7,814**	7,773	0.5%
Europe	**902**	916	(1.5%)
	12,331	12,147	1.5%
Operating profit			
China	**673**	712	(5.5%)
U.S.	**847**	785	7.9%
Europe	**54**	50	8.0%
	1,574	1,547	1.7%

In 2019, packaged meats sales volume of the Group slightly decreased by 0.5% to 3,345 thousand metric tons. In China, sales volume during the year was similar to the level of 2018 as consumer market slowed down. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Driven by the growth of ingredient-type and Chinese-style products, our product mix was improving. Sales volume in the U.S. was mildly down by 0.8% in 2019 as we consciously reduced the products with lower profitability. In Europe, sales volume was lowered by 1.7% due to a cut-off adjustment in the previous year. The underlying volume increased benefiting from organic growth and recent acquisitions.

Revenue in 2019 grew by 1.5% to US$12,331 million. The growth was characterised by the increase in average selling prices ("**ASP**"), on a currency neutral basis, in all markets that we are operating. Against the backdrop of growing raw material meat prices in the globe led by ASF, we raised prices proactively in China and Europe. We also benefited from part of the products that applied formula pricing in the U.S..

Operating profit was US$1,574 million in 2019, an increase of 1.7% as compared to 2018. However, operating profit in China decreased by 5.5%. Apart from the negative impact of foreign exchange translation, the decrease was due to the fact that the drawback of costs hike outpaced the benefit of price adjustments. During the year, the costs of raw material such as pork and chicken meat soared. To support our price and product mix adjustments, expenditures in marketing and promotions were also higher. In the U.S., the increase in operating profit of 7.9% was driven by product mix improvement as we were expanding our capacity in value-added categories such as dry sausages and cooked meats, along with the savings being brought by our initiatives to optimise sales and distribution processes. Although higher raw material prices, wages and logistics costs countervailed part of the increase in our operating profit in the U.S., we achieved a new record in 2019. In Europe, operating profit increased by 8.0% as compared to 2018 due to lower administrative expenses despite higher meat costs.

Fresh Pork

	2019	2018	Change
	US$ million		%
Revenue			
China	**4,725**	3,584	31.8%
U.S.	**4,467**	4,790	(6.7%)
Europe	**886**	762	16.3%
	10,078	9,136	10.3%
Operating profit/(loss)			
China	**262**	179	46.4%
U.S.	**150**	48	212.5%
Europe	**(9)**	19	N/A
	403	246	63.8%

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 2019 was 53,797 thousand heads, a decrease of 4.1% over that of 2018. The decrease was contributed by our slaughtering business in China as the number of hogs processed there declined by 19.0% to 13,202 thousand heads. Earlier this year, we took advantage of our widely established production and logistics facilities to seize the opportunity of the relatively low hog prices to expand our production scale and distribution channels. However, as the impact of ASF manifested gradually, our volume was severely constrained by the reduction in market supplies of live hog and softening in demand as pork prices escalated. On the other hand, our processing volume in the U.S. increased by 1.7% to 34,513 thousand heads in 2019 as the hog industry expanded. Our processing volume in Europe also increased by 4.3% as we completed the acquisition of Pini Polonia (as defined hereinafter).

External sales volume of fresh pork was 4,224 thousand metric tons, 6.1% less than the level in the previous year as we adjusted our operating strategies in light of the changing market dynamics.

Fresh pork revenue increased by 10.3% to US$10,078 million in 2019 as the growth in China and Europe outweighed the decline in the U.S.. Revenue in China increased significantly by 31.8% from that of the 2018 because the impact of the record-breaking pork prices surpassed the decrease in sales volume. In the U.S., revenue was down by 6.7% mainly as a result of the decrease in sales volume as more pork was sold internally for further processing and exports. In Europe, revenue rose 16.3% in conjunction with the ASP as prices were heartened by ASF. Integration of Pini Polonia (as defined hereinafter) was also an add-on factor of growth.

Our operating profit of fresh pork increased substantially from US$246 million in 2018 to US$403 million in 2019. In China, we achieved considerable growth of 46.4% as our gross profit increased from the sale of pork that was produced locally in the current period, being imported from overseas and the inventories. In the U.S., our operating profit tripled that of in 2018. Although hog costs were higher than 2018 as a result of ASF in China and other countries, production costs also surged due to wages increase, pork value went up in view of strong exports demand as trade disruptions weakened in the later half of the year. Coupled with effective hedges, we recorded an operating profit of US$150 million. In Europe, we made an operating loss of US$9 million in 2019 (2018: operating profit of US$19 million) as the impact of the increase in ASP was less than the increase in hog costs.

Hog Production

	2019	2018	Change
	US$ million		%
Revenue			
China	**2**	8	(75.0%)
U.S.	**877**	619	41.7%
Europe	**58**	61	(4.9%)
	937	688	36.2%
Operating profit/(loss)			
China	**(13)**	5	N/A
U.S.	**83**	(147)	N/A
Europe	**97**	29	234.5%
	167	(113)	N/A

In 2019, hog production volume increased by 4.1% to 21,805 thousand heads primarily due to the enhancement of productivity in the U.S. Revenue from hog production increased notably by 36.2% to US$937 million as hog prices rallied in the U.S. Operating profit for the year was US$167 million (2018: operating loss of US$113 million). The operating loss in China was mainly due to the acceleration of production to prevent ASF and the increase in the associated bio-security costs. In the U.S., we were profitable in 2019 as a result of larger hedging gains. Operating profit in Europe also increased over twofold to US$97 million as ASF drove hog prices higher.

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 finance companies and a chain of retail grocery stores, production of flavoring ingredients and natural casings, as well as sales of biological pharmaceutical materials.

In 2019, revenue generated by our other businesses amounted to US$757 million, an increase of 19.4% as compared to the previous year. Our poultry business in Europe and China and logistics business in China made respective contributions to our other businesses. Our poultry business processed approximately 129 million heads of broiler, goose and turkey during the year. The growth of poultry business is an integral part of our strategy in protein diversification. Our logistics business currently owns 18 logistics centers across 15 provinces covering the majority part of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely.

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 2019, we owned an annual production capacity of packaged meats of approximately 2.22 million metric tons, 1.74 million metric tons and 0.40 million metric tons with utilisation rates of 71.6%, 81.9% and 76.8% in China, the U.S. and Europe, respectively. Annual hog processing capacity in China, the U.S. and Europe were approximately 24.64 million heads, 33.80 million heads and 7.63 million heads and their utilisation rates were 53.6%, 101.9% and 89.9%, respectively. The capacity stated above included the additional capacity introduced by the acquisition of Pini Polonia (as defined hereinafter) during the year.

FINANCIAL REVIEW

I. KEY FINANCIAL PERFORMANCE INDICATORS

		2019	2018	Change
Revenue growth rate	%/pp	**6.6**	1.0	5.6
EBITDA (before biological fair value adjustments) ratio margin	%/pp	**11.1**	9.3	1.8
Operating profit margin	%/pp	**8.4**	7.3	1.1
— Packaged meat products	%/pp	**12.8**	12.7	0.1
— Fresh pork	%/pp	**2.9**	1.9	1.0
— Hog production	%/pp	**4.1**	(3.2)	7.3
Per unit operating profit/(loss)				
— Packaged meat products	US$ per metric ton	**470.6**	460.3	10.3
— Fresh pork	US$ per head	**7.5**	4.4	3.1
— Hog production	US$ per head	**7.7**	(5.4)	13.1
Net profit (before biological fair value adjustments) margin	%/pp	**6.7**	5.6	1.1
Current ratio	times	**1.7**	1.6	0.1
Cash conversion cycle	days	**43.8**	36.0	7.8
Debt to equity ratio	%/pp	**32.7**	37.1	(4.4)
Debt to EBITDA (before biological fair value adjustments) ratio	times	**1.2**	1.5	(0.3)
Return on total assets	%/pp	**10.4**	7.5	2.9
Return on equity	%/pp	**17.8**	12.4	5.4

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$552 million as at December 31, 2019 (2018: US$525 million), which were held primarily in RMB, U.S. Dollar ("**US$**"), 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, 2019, the balance was US$447 million (2018: US$317 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at December 31, 2019 (2018: 1.6 times). The aggregate amount of unutilised banking facilities as at December 31, 2019 was US$2,874 million (2018: US$2,893 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 2019, our net cash from operating activities amounted to US$1,463 million (2018: US$1,255 million). The increase was mainly driven by stronger operating results but was partly offset by the increase in inventories. Our net cash used in investing activities in 2019 amounted to US$796 million (2018: US$1,217 million). The change was mainly attributable to the decrease in capital expenditures and net increment in financial assets during the year. Our net cash used in financing activities in 2019 amounted to US$593 million (2018: US$790 million). This was the net result of the decrease in the payments of dividends and the increase in the payments of lease liabilities in the year. As such, our net increase in cash and cash equivalents was US$74 million in 2019 (2018: net decrease of US$752 million).

Major Financing Activities

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.

In 2018, our Group established a commercial paper program of up to US$1,750 million for short-term liquidity needs. As at December 31, 2019, our outstanding balance of commercial papers was US$125 million in aggregate (2018: US$236 million).

Debt Profile

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

	As at December 31, 2019 *US$ million*	As at December 31, 2018 *US$ million*
Borrowings by nature		
Senior unsecured notes	**1,787**	1,788
Bank borrowings	**1,177**	1,051
Commercial paper	**125**	236
Loans from third parties	**3**	3
Bank overdrafts	**—**	41
	3,092	3,119
Borrowings by geographical region		
U.S.	**2,227**	2,362
China	**680**	621
Europe	**185**	136
	3,092	3,119

The Group's total principal amount of outstanding borrowings as at December 31, 2019 was US$3,110 million (2018: US$3,134 million). The maturity profile is analysed as follows:

	Total
In 2020	29%
In 2021	14%
In 2022	15%
In 2023	10%
In 2027	19%
In 2029	13%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 73.5% of our borrowings was denominated in US$ as at December 31, 2019 (2018: 78.8%). The rest of our borrowings was denominated in RMB, Hong Kong Dollar ("**HK$**"), RON, PLN and Euro.

As at December 31, 2019, 98.7% of our borrowings were unsecured (2018: 88.0%). 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, 2019, our debt to equity ratio (ratio of consolidated borrowings to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings less bank balances and cash to consolidated total equity) were 32.7% and 26.9%, respectively (2018: 37.1% and 30.8%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings less bank balances and cash to EBITDA before biological fair value adjustments) as at December 31, 2019 were 1.2 times and 1.0 times, respectively (2018: 1.5 times and 1.2 times, respectively).

Finance Costs

Our finance costs increased from US$115 million in 2018 to US$144 million in 2019. The increase was mainly due to the inclusion of interest on lease liabilities following the adoption of IFRS 16.

As at December 31, 2019, the average interest rate of our total borrowings was 3.7% (2018: 3.5%).

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. The corporate family rating of Smithfield assigned by Moody's was Ba1. The outlook is also stable.

III. CAPITAL EXPENDITURES

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

In 2019, capital expenditures amounted to US$703 million (2018: US$811 million). The following table sets out our capital expenditures by geographical region for the years indicated:

	2019	2018
	US$ million	*US$ million*
China	**99**	84
U.S.	**478**	596
Europe	**126**	131
	703	811

In China, our capital expenditures for the year were mainly for the alteration of our packaged meats and poultry production facilities as well as the investment in certain environmental protection projects. Our capital expenditures in the U.S. were primarily related to the modernisation of our processing plants, expansion of our value-added packaged meats production capacity and building of a distribution centre. Our capital expenditures in Europe were mainly for the building of a new poultry plant.

IV. HUMAN RESOURCES

As at December 31, 2019, the Group had approximately 101 thousand employees in total, in which approximately 46 thousand employees were with our China operation, approximately 40 thousand and 15 thousand employees were with our U.S. and European operations, respectively. We value talent management and employee engagement. Therefore, with a view to constantly improving the skills and knowledge of our employees, we provide adequate training programs. 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 2019 amounted to US$3,650 million (2018: US$3,518 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.

V. BIOLOGICAL ASSETS

As at December 31, 2019, we had a total of 13,342 thousand hogs, consisting of 12,258 thousand market hogs and 1,084 thousand breeding stock, an increase of 2.6% from 13,009 thousand hogs as at December 31, 2018. We also had a total of 5,485 thousand poultry, consisting of 4,860 thousand broilers and 625 thousand breeding stock (2018: 4,515 thousand poultry). The fair value of our biological assets was US$1,244 million as at December 31, 2019, as compared to US$1,094 million as at December 31, 2018.

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 2019, the net impact of biological fair value adjustments on our profit was a gain in the amount of US$85 million, as compared to a loss in the amount of US$104 million of last year.

VI. KEY INVESTMENT INTERESTS

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 September, 2019. As a result, Shuanghui Group ceased operation and was deregistered. Its assets, liabilities, employees, contracts and any other rights and obligations were succeeded by Shuanghui Development. The Company, through Rotary Vortex, holds approximately 73.41% equity interest in Shuanghui Development (prior to completion of such restructuring: effectively held approximately 73.25% through Rotary Vortex and Shuanghui Group).

Acquisition of Subsidiaries

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 Company. 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.

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. In March 2019, a new processing facility of GCM commenced operation. Norson primarily produces hogs for use in its fresh pork operations. In 2019, the Group's share of profit from the Mexican joint ventures was US$11 million (2018: US$26 million). At the end of 2019, GCM and Norson had in aggregate approximately 153 thousand sows and owned processing facilities with an annual product capacity of 2.6 million hogs. It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

Joint Ventures in Renewable Gas

The Group has two joint ventures engaged in renewable gas operation in the U.S. Align RNG, LLC ("**Align**") was formed with Dominion Energy RNG Holdings, Inc. and Monarch Bio Energy, LCC ("**Monarch**") was formed with Roeslein Alternative Energy, LLC. Align and Monarch convert waste from our hog farms in Utah and

Missouri to natural gas. As the two major projects in renewable resources of our Group, they will generate economic benefits and contribute to our environmental, social and governance goals.

VII. KEY RISKS AND THEIR MANAGEMENT

Risk Management

The risk management system of the Group is designed to assist the Group in implementing a sound and consistent risk management and reporting process across the Group. The risk management committee 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 2019, the Group conducted enterprise risk assessments to analyze and report key risks, followed by the establishment of respective mitigation controls. An opinion on the effectiveness of the enterprise risk management ("**ERM**") system of the Company was submitted to the Risk Management Committee, which considers that the ERM system of the Group are effectively in place.

Commodities Price Risks

Commodities comprise a significant part of the Group's inputs (costs) and outputs (sales). The Group uses various raw materials, primarily live hogs, meat, corn, and soybean meal in our packaged meats, 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, 2019, approximately 77.1% of our borrowings (other than bank overdrafts) were at fixed interest rates (2018: 77.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

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, 2019. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

IX. SUSTAINABILITY

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 prioritise 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.

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, risky geopolitical relations, continuation of ASF and outbreak of coronavirus disease 2019 ("**COVID-19**") will bring us unprecedented challenges.

In China, the impact of ASF is expected to endure. We will take advantage of industry rationalisation and market consolidation to grow our market share in processing and enhance our vertical supply chain. We will also increase our exposure to poultry business for risk management and further value creation. On the U.S. side, we anticipate the two greatest challenges are overabundant supply of meats and the inconstancy of the trading relationship between the U.S. and other countries. We will increase our efforts in exports (particularly to China and other Asian markets), manage our risks through hedging and enhance our production efficiency and operation quality in every identifiable aspect for incessant margin gains. In Europe, our operating objective is to accelerate its development by continuous volume expansion and productivity upgrade.

In respect of our core business, packaged meats, it has been proven to be very resilient and capable for growth despite the stages in the industrial cycle and macro headwinds. We will continue to undergo portfolio adjustments to increase the value of our products and strengthen the core competence of the Group. We believe that the growth momentum of our packaged meats business will carry on.

Meanwhile, we are responding proactively to COVID-19. We have been taken appropriate measures to protect the safety and health of our employees. We have also been acting effectively to minimize the disruption on our ordinary operation and to assure the continuity of our business. We believe that pork products are consumer staples, the impact of COVID-19 on the Group will be manageable under current assessment. Yet we are highly cautious about the latest development and the later implications of the epidemic.

To conclude, we are a geographically diversified consumer goods company with an integrated value chain and 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 will also strive to expand globally and further enhance our competitiveness. We believe that our relentless pursuit of our goals will solidify our leadership in the industry and ensure the sustainable development of the Group.

FINANCIAL INFORMATION

The financial information below is an extract of the consolidated financial statements of the Group for the year ended December 31, 2019, 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, 2019

		2019			2018		
	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	**24,103**	**—**	**24,103**	22,605	—	22,605
Cost of sales		**(19,209)**	**338**	**(18,871)**	(18,103)	196	(17,907)
Gross profit		**4,894**	**338**	**5,232**	4,502	196	4,698
Distribution and selling expenses		**(2,059)**	**—**	**(2,059)**	(2,139)	—	(2,139)
Administrative expenses		**(811)**	**—**	**(811)**	(732)	—	(732)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(208)**	**(208)**	—	(209)	(209)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(22)**	**(22)**	—	(130)	(130)
Other income	4	**59**	**—**	**59**	98	—	98
Other gains and (losses)	5	**53**	**—**	**53**	(21)	—	(21)
Other expenses	6	**(63)**	**—**	**(63)**	(74)	—	(74)
Finance costs	7	**(144)**	**—**	**(144)**	(115)	—	(115)
Share of profits of associates		**4**	**—**	**4**	8	—	8
Share of profits of joint ventures		**13**	**(2)**	**11**	23	4	27
PROFIT BEFORE TAX	8	**1,946**	**106**	**2,052**	1,550	(139)	1,411
Taxation	9	**(336)**	**(21)**	**(357)**	(293)	35	(258)
PROFIT FOR THE YEAR		**1,610**	**85**	**1,695**	1,257	(104)	1,153

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

For the year ended December 31, 2019

		2019			2018		
	Note	**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*
Other comprehensive expense for the year:							
Items that will not be reclassified subsequently to profit or loss:							
— remeasurement on defined benefit pension plans				**(143)**			(6)
				(143)			(6)
Items that may be reclassified subsequently to profit or loss:							
— exchange differences arising on translation of foreign operations				**(51)**			(198)
— fair value change in cash flow hedge, net of tax				**15**			6
				(36)			(192)
Other comprehensive expense for the year, net of tax				**(179)**			(198)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**1,516**			955
Profit for the year attributable to							
— owners of the Company				**1,465**			943
— non-controlling interests				**230**			210
				1,695			1,153
Total comprehensive income for the year attributable to:							
— owners of the Company				**1,305**			783
— non-controlling interests				**211**			172
				1,516			955
EARNINGS PER SHARE	*11*						
— Basic (US cents)				**9.96**			6.43
— Diluted (US cents)				**9.90**			6.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019

	Notes	2019 US$'million	2018 US$'million
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,406**	5,300
Right-of-use assets		**646**	—
Prepaid lease payments		—	175
Biological assets	13	**137**	147
Goodwill		**1,955**	1,847
Intangible assets		**1,712**	1,734
Interests in associates		**42**	150
Interests in joint ventures		**305**	202
Other receivables		**54**	40
Financial assets at fair value through profit or loss		**10**	7
Pledged bank deposits		**4**	4
Deferred tax assets		**66**	57
Other non-current assets		**238**	175
Total non-current assets		**10,575**	9,838
CURRENT ASSETS			
Properties under development		**102**	30
Prepaid lease payments		—	5
Biological assets	13	**1,107**	947
Inventories	14	**2,903**	2,022
Trade and bills receivables	15	**1,047**	1,135
Prepayments, other receivables and other assets		**508**	358
Taxation recoverable		—	67
Financial assets at fair value through profit or loss		**447**	317
Pledged/restricted bank deposits		**41**	54
Bank balances and cash		**552**	525
Total current assets		**6,707**	5,460
CURRENT LIABILITIES			
Trade payables	16	**1,074**	977
Accrued expenses and other payables	17	**1,686**	1,428
Lease liabilities/obligations under finance leases		**108**	2
Taxation payable		**96**	61
Borrowings	18	**905**	819
Bank overdrafts	18	—	41
Total current liabilities		**3,869**	3,328
NET CURRENT ASSETS		**2,838**	2,132
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,413**	11,970

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2019

	Notes	**2019** **US$'million**	2018 *US$'million*
NON-CURRENT LIABILITIES			
Other payables	*17*	**189**	214
Lease liabilities/obligations under finance leases		**357**	23
Borrowings	*18*	**2,187**	2,259
Deferred tax liabilities		**660**	598
Deferred revenue		**10**	10
Pension liability and other retirement benefits		**558**	448
Total non-current liabilities		**3,961**	3,552
NET ASSETS		**9,452**	8,418
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**8,683**	7,745
Equity attributable to owners of the Company		**8,684**	7,746
Non-controlling interests		**768**	672
TOTAL EQUITY		**9,452**	8,418

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
	US$'million	*US$'million*
Net cash flow from operating activities	**1,463**	1,255
Net cash flow used in investing activities	**(796)**	(1,217)
Net cash flow used in financing activities	**(593)**	(790)
Net increase (decrease) in cash and cash equivalents	**74**	(752)
Effect of foreign exchange rate changes	**(6)**	(43)
Cash and cash equivalents at beginning of year	**484**	1,279
Cash and cash equivalents at end of year	**552**	484
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**552**	525
Bank overdrafts	**—**	(41)
	552	484

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended December 31, 2019

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. The Company's shares were 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, 2019 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. The consolidated financial information is 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 consolidated financial information.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 and IFRIC 23, 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 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balances at January 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land, buildings, machinery, motor vehicles and contract farms. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 *Leases* (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and were separately disclosed in the consolidated statement of financial position.

The right-of-use assets amounting to US$344 million were recognised on January 1, 2019 based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at January 1, 2019.

The remaining right-of-use assets amounted to US$19 million were recognised and measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019.

Prepaid lease payments of US$180 million previously identified as operating leases and certain property, plant and equipment of US$25 million recognised previously under finance leases were reclassified to right-of-use assets at January 1, 2019.

The Group has used the following elective practical expedients when applying IFRS 16 at January 1, 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 *Leases* (continued)

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at January 1, 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at January 1, 2019

The effect of adoption IFRS 16 as at January 1, 2019 is as follows:

	Increase/ (decrease) *US$'million*
Assets	
Right-of-use assets	**568**
Prepaid lease payments	**(180)**
Property, plant and equipment	**(25)**
Prepayment, other receivables and other assets	**(4)**
Total assets	**359**
Liabilities	
Lease liabilities/obligations under finance leases	**361**
Accrued expenses and other payables	**(2)**
Total liabilities	**359**

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group adopted the interpretation from January 1, 2019 retrospectively. Upon adoption of IFRIC 23, the Group has recognised tax payables of US$10 million with a corresponding decrease in retained profits as at January 1, 2019.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2019	2018
	US$'million	*US$'million*
Packaged meats	**12,331**	12,147
Fresh pork	**10,078**	9,136
Hog production	**937**	688
Others	**757**	634
	24,103	22,605

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.

Segment 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)

Segment information (continued)

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

	For the year ended December 31, 2019				
	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *US$'million*
China					
Gross segment revenue	3,615	5,671	20	756	10,062
Less: Inter-segment revenue	—	(946)	(18)	(342)	(1,306)
Revenue	3,615	4,725	2	414	8,756
Reportable segment profit (loss)	673	262	(13)	35	957
United States					
Gross segment revenue	7,817	7,567	3,282	1	18,667
Less: Inter-segment revenue	(3)	(3,100)	(2,405)	—	(5,508)
Revenue	7,814	4,467	877	1	13,159
Reportable segment profit (loss)	847	150	83	(148)	932
Europe					
Gross segment revenue	943	1,339	723	415	3,420
Less: Inter-segment revenue	(41)	(453)	(665)	(73)	(1,232)
Revenue	902	886	58	342	2,188
Reportable segment profit (loss)	54	(9)	97	—	142
Total					
Gross segment revenue	12,375	14,577	4,025	1,172	32,149
Less: Inter-segment revenue	(44)	(4,499)	(3,088)	(415)	(8,046)
Revenue	12,331	10,078	937	757	24,103
Reportable segment profit (loss)	1,574	403	167	(113)	2,031
Net unallocated income					42
Biological fair value adjustments					106
Finance costs					(144)
Share of profits of associates					4
Share of profits of joint ventures					13
Profit before tax					2,052

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	For the year ended December 31, 2018				
	Packaged meats *US$'million*	Fresh pork *US$'million*	Hog production *US$'million*	Others *US$'million*	Total *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.

4. OTHER INCOME

	2019	2018
	US$'million	*US$'million*
Government subsidy	**28**	43
Bank interest income	**14**	12
Income on sales of raw materials	**10**	8
Others	**7**	35
	59	98

5. OTHER GAINS AND (LOSSES)

	2019	2018
	US$'million	*US$'million*
Gain (loss) on non-qualified retirement plan assets	**14**	(6)
Fair value gain on financial assets at fair value through profit or loss	**24**	15
Gain (loss) on disposal of property, plant and equipment	**1**	(2)
Gain on contribution of assets to a joint venture	**42**	—
Gain on disposal of an associate	**15**	—
Impairment loss on other non-current assets	**—**	(12)
Impairment loss recognised in respect of property, plant and equipment	**(18)**	(4)
Impairment loss recognised in respect of intangible assets	**(9)**	—
Impairment loss recognised in respect of right-of-use assets	**(5)**	—
Net exchange losses	**(9)**	(15)
Gain on insurance recovery	**10**	4
Others	**(12)**	(1)
	53	(21)

6. OTHER EXPENSES

	2019	2018
	US$'million	*US$'million*
Share-based payments	**(8)**	(21)
Others	**(55)**	(53)
	(63)	(74)

7. FINANCE COSTS

	2019	2018
	US$'million	*US$'million*
Amortisation of transaction costs	**(5)**	(5)
Interests on senior unsecured notes	**(76)**	(61)
Interests on medium-term unsecured notes	**—**	(4)
Interests on bank and other loans	**(48)**	(55)
Interests on lease liabilities	**(18)**	—
Less: Amounts capitalised in the cost of qualifying assets	**3**	10
	(144)	(115)

8. PROFIT BEFORE TAX

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

	2019	2018
	US$'million	*US$'million*
Auditor's remuneration		
Audit services	**4**	4
Non-audit services	**1**	—*
Depreciation of property, plant and equipment	**442**	428
Depreciation of right-of-use assets	**130**	—
Release of prepaid lease payments	**—**	4
Amortisation of intangible assets included in administrative expenses	**9**	9
Write-down of inventories included in cost of sales	**53**	106
Net allowance on trade receivables	**(1)**	2
Minimum lease payments under operating leases	**—**	223
Lease payments not included in the measurement of lease liabilities	**87**	—
Research and development expenses	**134**	131
Staff costs (excluding directors' remuneration)	**3,628**	3,501

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

	2019	2018
	US$'million	*US$'million*
China income tax	**(176)**	(196)
U.S. income tax	**(56)**	(51)
Other income taxes	**(35)**	(16)
Withholding tax	**(13)**	(33)
Deferred taxation	**(77)**	38
	(357)	(258)

10. DIVIDENDS

	2019	2018
	US$'million	*US$'million*
Dividend recognised as distribution during the year:		
2018 final dividend of HK 15 cents per share (2017: HK 22 cents)	**282**	411
2019 interim dividend of HK 5 cents per share (2018: HK 5 cents)	**93**	94
	375	505

The final dividend of HK 26.5 cents per share in respect of the year ended December 31, 2019 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:

	2019	2018
	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	**1,465**	943

	million	*million*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,702.71**	14,674.83
Effect of dilutive potential ordinary shares: share options	**88.51**	65.06
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,791.22**	14,739.89

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$669 million (2018: US$818 million) on additions 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 broilers which are classified as current assets. Biological assets also include breeding stock (hogs and poultry), which are used to produce future live hogs and broilers, are classified as non-current assets of the Group. The quantities of live hogs, broilers and breeding stock owned by the Group at the end of each reporting period are as follows:

	2019	2018
	Head'000	*Head'000*
Live hogs		
— suckling	**1,826**	1,757
— nursery	**2,136**	2,122
— finishing	**8,296**	8,010
	12,258	11,889
Breeding stock (hogs)	**1,084**	1,120
	13,342	13,009
Broilers	**4,860**	3,990
Breeding stock (poultry)	**625**	525
	5,485	4,515

Analysed for reporting purposes as:

	2019	2018
	US$'million	*US$'million*
Current	**1,107**	947
Non-current	**137**	147
	1,244	1,094

13. BIOLOGICAL ASSETS (continued)

Fair value measurement — Level 3

	2019	2018
	US$'million	*US$'million*
Biological assets		
Live hogs	**1,101**	942
Breeding stock (hogs)	**135**	145
Broilers	**6**	5
Breeding stock (poultry)	**2**	2
	1,244	1,094

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

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

14. INVENTORIES

	2019	2018
	US$'million	*US$'million*
Raw materials	**904**	733
Work in progress	**97**	99
Finished goods	**1,902**	1,190
	2,903	2,022

15. TRADE AND BILLS RECEIVABLES

	2019	2018
	US$'million	*US$'million*
Trade receivables	**1,049**	1,137
Impairment	**(11)**	(12)
	1,038	1,125
Bills receivable	**9**	10
	1,047	1,135

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

	2019	2018
	US$'million	*US$'million*
Current to 30 days	**879**	957
31 to 90 days	**167**	178
91 to 180 days	**1**	—*
	1,047	1,135

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 the U.S. and other countries of operations. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2019	2018
	US$'million	*US$'million*
Trade payables	**1,074**	977

* Less than US$1 million.

16. TRADE PAYABLES (continued)

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

	2019	2018
	US$'million	*US$'million*
Within 30 days	**1,045**	923
31 to 90 days	**26**	40
91 to 180 days	**2**	7
181 to 365 days	**1**	7
	1,074	977

17. ACCRUED EXPENSES AND OTHER PAYABLES

	2019	2018
	US$'million	*US$'million*
Accrued staff costs	**491**	373
Deposits received	**91**	104
Sales rebates payables	**191**	238
Payables in respect of acquisition of property, plant and equipment	**89**	110
Insurance payables	**135**	135
Interest payable	**24**	25
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	11
Growers payables	**43**	41
Pension liability	**18**	14
Amounts due to associates	**11**	11
Derivative financial instruments	**35**	14
Accrued professional expenses	**23**	64
Accrued rent and utilities	**28**	32
Dividend payables	**18**	10
Contract liabilities	**305**	161
Other accrued expenses	**233**	172
Other payables	**130**	127
	1,875	1,642
Analysed for reporting purposes as:		
Current liabilities	**1,686**	1,428
Non-current liabilities	**189**	214
	1,875	1,642

18. BORROWINGS

	2019	2018
	US$'million	*US$'million*
Senior unsecured notes:		
2.700% senior unsecured notes due January 2020	**—**	399
2.650% senior unsecured notes due October 2021	**399**	397
3.350% senior unsecured notes due February 2022	**398**	397
4.250% senior unsecured notes due February 2027	**595**	595
5.200% senior unsecured notes due April 2029	**395**	—
	1,787	1,788
Commercial papers	**125**	236
Bank loans:		
Secured	**38**	374
Unsecured	**1,139**	677
Loans from third parties:		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings other than bank overdrafts	**3,092**	3,078
Bank overdrafts	**—**	41
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**905**	819
One to two years	**421**	451
Two to five years	**773**	1,211
After five years	**993**	597
	3,092	3,078
Less: Amounts due within one year shown under current liabilities	**(905)**	(819)
Amounts due after one year	**2,187**	2,259
Total borrowings other than bank overdrafts:		
At fixed rates	**2,385**	2,370
At floating rates	**707**	708
	3,092	3,078

18. BORROWINGS (continued)

	2019	2018
	US$'million	*US$'million*
Analysis of borrowings by currency:		
Denominated in US$	**2,273**	2,458
Denominated in RMB	**582**	464
Denominated in PLN	**144**	76
Denominated in HK$	**50**	18
Denominated in RON	**41**	60
Denominated in EUR	**2**	2
	3,092	3,078

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, 2019, 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, 2019.

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, 2019 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, 2019, 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 "**Model Code**"). The Company has made specific enquiries with each Director and save for Mr. Guo Lijun, each of them confirmed that he had complied with all required standards set out in the Model Code and the Code of Conduct throughout the year ended December 31, 2019.

On May 31, 2019, Mr. Guo Lijun made a gift of 100% of the equity interests in Luohe Jiaxin Investment Co., Ltd.* (漯河嘉昕投資有限公司), which indirectly held 1,899,000 shares of the Company, to his son, Mr. Guo Jiaxing, without first notifying in writing the Chairman and receiving a dated written acknowledgement as required by the Model Code and the Code of Conduct. Mr. Guo Lijun promptly notified the Chairman and obtained a dated written acknowledgement as soon as he became aware of the non-compliance out of an inadvertent mistake. In order to avoid similar non-compliance by the Directors in the future, the Company reminded all the Directors of the required standards set out in the Model Code and the Code of Conduct. In addition to periodic reminders, the Company will also provide the Directors with updates on any changes to the Model Code and the Code of Conduct in order to ensure compliance and enhance their awareness of good corporate governance practices.

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, 2019.

* *For identification purpose only*

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.265 per share for the year ended December 31, 2019 (the "**2019 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 October 4, 2019, total dividend for the year ended December 31, 2019 will be HK$0.315 per share (2018: HK$0.20 per share). The 2019 Final Dividend is expected to be paid in cash to the Shareholders on or about Monday, July 6, 2020.

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 28, 2020 to Tuesday, June 2, 2020, 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 27, 2020.

(ii) To qualify for the proposed 2019 Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2019 Final Dividend, the registers of members of the Company will be closed from Tuesday, June 9, 2020 to Thursday, June 11, 2020, both days inclusive. In order to qualify for the proposed 2019 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 8, 2020.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, June 2, 2020. 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 2019 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 24, 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.