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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)

DISCLOSEABLE TRANSACTION

**PROPOSED NON-PUBLIC ISSUANCE BY
SHUANGHUI DEVELOPMENT**

THE PROPOSED NON-PUBLIC ISSUANCE

On May 17, 2020, the board of directors of Shuanghui Development, an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange, resolved to approve the proposed non-public issuance of not more than 331,928,219 New A Shares to not more than 35 subscribers, to raise a gross proceeds of not more than RMB7,000,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company indirectly holds 2,436,727,364 A Shares, representing approximately 73.41% of the issued share capital of Shuanghui Development. Immediately following the completion of the Proposed Non-public Issuance (assuming that all 331,928,219 New A Shares will be issued under the Proposed Non-public Issuance and there will be no other change in the issued share capital of Shuanghui Development), the equity interest of the Company in Shuanghui Development will be diluted from approximately 73.41% to approximately 66.74%. The aforementioned dilution of the equity interest of the Company in Shuanghui Development will constitute a deemed disposal of the equity interest in Shuanghui Development by the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Non-public Issuance exceed 5% but are less than 25%, the Proposed Non-public Issuance constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On May 17, 2020, the board of directors of Shuanghui Development, an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange, resolved to approve the proposed non-public issuance of not more than 331,928,219 New A Shares to not more than 35 subscribers, to raise a gross proceeds of not more than RMB7,000,000,000.

THE PROPOSED NON-PUBLIC ISSUANCE

The principal terms of the Proposed Non-public Issuance are set out below.

Class and par value of the New A Shares: A Shares with a par value of RMB1.00 each.

Issue period and method: The Proposed Non-public Issuance will be conducted at an appropriate time in due course within the effective period of the approval to be obtained from the CSRC.

The Proposed Non-public Issuance will be carried out by way of non-public offer of New A Shares to not more than 35 investors.

Target subscribers: The target subscribers for the Proposed Non-public Issuance will be not more than 35 specific subscribers. The target subscribers may include securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic and foreign institutional and individual investors in compliance with applicable laws and regulations. A securities investment fund management company, securities firms, qualified foreign institutional investors (QFII) and Renminbi qualified foreign institutional investors (RQFII) subscribing for the New A Shares with two or more of the vehicles under its management shall be deemed as one single subscriber. Trust investment companies may only subscribe for the New A Shares with their own capital.

The final list of target subscribers will be determined by the board of directors of Shuanghui Development or its authorised person(s) and the sponsor (the lead underwriter) through price inquiry in accordance with applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Proposed Non-public Issuance. The target subscribers will subscribe for the New A Shares under the Proposed Non-public Issuance in cash.

The controlling shareholders and actual controllers of Shuanghui Development and their related parties will not participate in the subscription.

As at the date of this announcement, Shuanghui Development has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance. It is currently expected that the New A Shares to be issued under the Proposed Non-public Issuance will only be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

Issue price and the determination basis:

The Price Determination Date of the New A Shares shall be the first day of the issue period of the Proposed Non-public Issuance.

The issue price shall not be lower than the Base Issue Price, being 80% of the average trading price of the A Shares for the 20 trading days preceding the Price Determination Date. In the event of ex-right or ex-dividend events of Shuanghui Development (such as distribution of cash dividend, bonus issue and capitalisation of capital reserves) during the period commencing from the Price Determination Date to the date of issuance of the New A Shares, the Base Issue Price shall be adjusted in accordance with the below formulae:

Distribution of cash dividend:

$$P1 = P0 - D$$

Bonus issue or capitalisation of capital reserves:

$$P1 = P0 / (1 + N)$$

Distribution of cash dividend and bonus issue or capitalisation of capital reserves at the same time:

$$P1 = (P0 - D) / (1 + N)$$

where:

“P0” represents the Base Issue Price before adjustments;

“D” represents the amount of cash dividend per A Share;

“N” represents the number of bonus shares issued or shares issued by way of capitalisation of capital reserve for each A Share; and

“P1” represents the Base Issue Price after adjustments.

The final issue price will be determined by the board of directors of Shuanghui Development or its authorised person(s) and the sponsor (the lead underwriter) based on the price inquiry results after obtaining the approval documents issued by the CSRC in respect of the Proposed Non-public Issuance.

Issue size:

The number of the New A Shares to be issued under the Proposed Non-public Issuance shall be determined by reference to the amount of proceeds to be raised and the final issue price of the New A Shares, and shall not be more than 10% of the issued share capital of Shuanghui Development before issuance, subject to the approval of the CSRC. Accordingly, the maximum number of the New A Shares to be issued under the Proposed Non-public Issuance shall be 331,928,219 New A Shares, representing 10% of the total issued share capital of Shuanghui Development as at the date of this announcement and approximately 9.09% of the total issued share capital of Shuanghui Development as enlarged by the Proposed Non-public Issuance.

In the event of changes in the number of issued share capital of Shuanghui Development (such as bonus issue, capitalisation of capital reserves, share incentive schemes and cancellation of A Shares after repurchase) during the period commencing from the date of passing the board resolutions in relation to the Proposed Non-public Issuance to the date of issuance of the New A Shares, the maximum number of the New A Shares to be issued under the Proposed Non-public Issuance will be adjusted accordingly.

The final issue size of the Proposed Non-public Issuance shall be determined by the board of directors of Shuanghui Development or its authorised person(s) and the sponsor (the lead underwriter) with reference to the actual circumstances at the time of issuance.

Use of proceeds:

The gross proceeds to be raised from the Proposed Non-public Issuance will be not more than RMB7,000,000,000.

The net proceeds from the Proposed Non-public Issuance are intended to be used by Shuanghui Development in the following manner:

- (1) as to approximately RMB3,330,000,000 for capacity construction for broiler industrialisation;
- (2) as to approximately RMB990,000,000 for capacity construction for hog production;
- (3) as to approximately RMB360,000,000 for technical transformation of hog processing and prepared products;
- (4) as to approximately RMB270,000,000 for technical transformation of packaged meats processing;
- (5) as to approximately RMB750,000,000 for construction of the headquarters office in the PRC; and
- (6) as to approximately RMB1,300,000,000 for replenishment of working capital.

Before the receipt of the proceeds to be raised from the Proposed Non-public Issuance, Shuanghui Development may, depending on the status of the projects, finance these projects by funds raised through other means of financing, which will be substituted by the proceeds to be raised from the Proposed Non-public Issuance upon receipt of the same. Shuanghui Development may make adjustments as to the specific projects, the order of priority and the specific amount allocated for each project based on the net proceeds actually raised and Shuanghui Development will make up for any shortfall by utilising its internal resources or other means of financing.

Lock-up period of the New A Shares: The New A Shares subscribed by the subscribers under the Proposed Non-public Issuance shall not be transferable for a period of six months commencing from the date of completion of the Proposed Non-public Issuance.

Conditions precedent: The completion of the Proposed Non-public Issuance is conditional upon:

- (1) the obtaining of the approval of the shareholders of Shuanghui Development at the general meeting; and
- (2) the obtaining of the approval of the CSRC.

EFFECT ON SHAREHOLDING STRUCTURE OF SHUANGHUI DEVELOPMENT

The table below sets out the shareholding structure of Shuanghui Development as at the date of this announcement and immediately after completion of the Proposed Non-public Issuance (assuming that all 331,928,219 New A Shares will be issued under the Proposed Non-public Issuance and there will be no other change in the issued share capital of Shuanghui Development):

Shareholders of Shuanghui Development	As at the date of this announcement		Immediately after completion of the Proposed Non-public Issuance	
	Number of A Shares held	Approximate percentage of the issued share capital of Shuanghui Development (%)	Number of A Shares held	Approximate percentage of the issued share capital of Shuanghui Development (%)
Rotary Vortex	2,436,727,364	73.41	2,436,727,364	66.74
Other shareholders of Shuanghui Development	<u>882,554,826</u>	<u>26.59</u>	<u>1,214,483,045</u>	<u>33.26</u>
Total	<u>3,319,282,190</u>	<u>100.00</u>	<u>3,651,210,409</u>	<u>100.00</u>

Accordingly, immediately after completion of the Proposed Non-public Issuance, Shuanghui Development will remain as an indirect non-wholly owned subsidiary of the Company.

INFORMATION ON THE GROUP

The Company is a limited liability company incorporated under the laws of the Cayman Islands. The principal activity of the Company is investment holding.

The Group is the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production.

INFORMATION ON SHUANGHUI DEVELOPMENT

Shuanghui Development is a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000895), and is principally engaged in livestock breeding, livestock slaughtering, and the manufacture and sales of packaging materials and meat products.

As at the date of this announcement, the Company indirectly holds 2,436,727,364 A Shares, representing approximately 73.41% equity interest in Shuanghui Development.

Based on the financial statements of Shuanghui Development prepared in accordance with the China Accounting Standards for Business Enterprises, the financial information of Shuanghui Development for the two years ended December 31, 2018 and 2019 was approximately as follows:

	For the year ended December 31,	
	2018	2019
	(audited)	(audited)
	(RMB)	(RMB)
Profit before taxation	6,279,596,716.08	6,838,493,333.18
Profit after taxation	5,034,944,951.92	5,665,988,893.71

The audited net asset value of Shuanghui Development as at December 31, 2019 was approximately RMB17,115,390,812.33.

REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE

After experiencing African Swine Fever, the breeding and slaughtering industries in the PRC will undergo historic changes with accelerated integration of the pork and poultry industries. The Proposed Non-public Issuance will help Shuanghui Development seize the opportunities in the breeding industry to improve its industry chain with the support of relevant government policies in the PRC, thereby increasing its influence in the upstream of the industry chain and cost control ability, achieving synergy among various businesses and enhancing the risk resistance and the overall competitiveness of Shuanghui Development. Further, the project of capacity construction for broiler industrialisation of Shuanghui Development will enhance meat diversification of the Group, which will in turn better satisfy the demands of the customers.

Through the Proposed Non-public Issuance, Shuanghui Development will carry out technical transformation of hog processing and packaged meats processing, introduce automation and information technology and equipment and optimise the flow of process and product structure, so as to achieve intensive production and improve the level of automation, information and intelligence of its meat processing business, thereby realising technological advancement and increased production efficiency and promoting high quality development of the Group.

Further, as the business scale of Shuanghui Development continues to grow, the Proposed Non-public Issuance can replenish the capital of Shuanghui Development to sustain its business development, optimise its capital structure and strengthen its profitability and risk resistance, which will in turn bring positive contribution to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Non-public Issuance are fair and reasonable and the Proposed Non-public Issuance is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED NON-PUBLIC ISSUANCE ON THE GROUP

Upon completion of the Proposed Non-public Issuance, Shuanghui Development will remain as an indirect non-wholly owned subsidiary of the Company and the results of Shuanghui Development will continue to be consolidated into the consolidated results of the Group.

As the Proposed Non-public Issuance will not cause a loss of the Company's control over Shuanghui Development, the deemed disposal of a maximum of 6.67% equity interest in Shuanghui Development due to the Proposed Non-public Issuance will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in the statement of profit or loss of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company indirectly holds 2,436,727,364 A Shares, representing approximately 73.41% of the issued share capital of Shuanghui Development. Immediately following the completion of the Proposed Non-public Issuance (assuming that all 331,928,219 New A Shares will be issued under the Proposed Non-public Issuance and there will be no other change in the issued share capital of Shuanghui Development), the equity interest of the Company in Shuanghui Development will be diluted from approximately 73.41% to approximately 66.74%. The aforementioned dilution of the equity interest of the Company in Shuanghui Development will constitute a deemed disposal of the equity interest in Shuanghui Development by the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Non-public Issuance exceed 5% but are less than 25%, the Proposed Non-public Issuance constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Proposed Non-public Issuance is subject to, among other things, certain conditions and may or may not proceed, the Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follows:

“A Shares”	A shares of Shuanghui Development
“Base Issue Price”	the base issue price for each New A Shares under the Proposed Non-public Issuance
“Board”	the board of directors of the Company
“Company”	WH Group Limited (萬洲國際有限公司), a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New A Share(s)”	new A Share(s) to be issued under the Proposed Non-public Issuance
“PRC”	the People’s Republic of China
“Price Determination Date”	the determination date of the Base Issue Price, being the first day of the issue period of the Proposed Non-public Issuance
“Proposed Non-public Issuance”	the proposed non-public issuance of not more than 331,928,219 New A Shares to not more than 35 subscribers by Shuanghui Development to raise a gross proceeds of not more than RMB7,000,000,000
“RMB”	Renminbi, the lawful currency of the PRC

“Rotary Vortex”	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shuanghui Development”	Henan Shuanghui Investment & Development Co., Ltd.* (河南雙匯投資發展股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000895) and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, May 17, 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.

* *For identification purposes only*