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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)

VOLUNTARY ANNOUNCEMENT

**FURTHER INFORMATION IN RELATION TO THE CLARIFICATION
OF ALLEGATIONS**

The announcement is made by WH Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis. Reference is made to the announcement (the “**Announcement**”) of the Company dated 18 August 2021 in relation to, among others, clarifications on certain media reports regarding allegations made by Mr. Wan Hongjian (a former director of the Company who was removed for misconduct) against the Group (the “**Allegations**”).

Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Board has clarified that the Allegations are untrue and misleading. This announcement is made to provide further information in this regard and to refute the Allegations.

THE ALLEGATIONS

1. **Mr. Wan Hongjian alleged that the Company has no business of substance. It has been using various schemes to transfer funds from its subsidiary listed on the Shenzhen Stock Exchange, Henan Shuanghui Investment & Development Co., Ltd. (“Shuanghui Development”), to offshore market.**

Business of the Group

The Company was incorporated as an exempted limited liability company in the Cayman Islands on 2 March 2006. The Company is an investment holding company which conducts its world’s largest pork business (including the production and sales of pork and packaged meats) primarily in the People’s Republic of China (the “**PRC**”), the United States of America (the “**U.S.**”) and certain selected markets in Europe.

Transfer of Funds Offshore

Shuanghui Development (an indirect non-wholly owned subsidiary of the Company in the PRC) and its subsidiaries have been operating in compliance with the relevant rules and regulations and procedures of the PRC regarding funds and foreign exchange control.

Save for normal operating business and investment needs including distribution of dividends, settlement of trade payables and sale of equity interests in subsidiaries of Shuanghui Development, the Company has not transferred funds from Shuanghui Development to offshore market.

(i) Distribution of dividends

Rotary Vortex Limited (“**Rotary Vortex**”), a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of the Company and a controlling shareholder of Shuanghui Development (holding approximately 70.33% shareholding interests as at the date of this announcement). Accordingly, dividends declared by Shuanghui Development in the past years were distributed to the Hong Kong account(s) of Rotary Vortex in accordance with the relevant procedures and laws and regulations.

- (ii) *Trade payables to Rotary Vortex and WHG Trading Limited (“WHG Trading”), indirect wholly-owned subsidiaries of the Company*

Subsidiaries of Shuanghui Development have entered into certain supply agreements with Rotary Vortex and WHG Trading respectively, where Rotary Vortex and WHG Trading provide frozen meat and other raw material products to Shuanghui Development and its subsidiaries.

In this regard, funds transfers to the relevant Hong Kong accounts of Rotary Vortex and WHG Trading from the onshore account(s) of the relevant subsidiaries of Shuanghui Development were from time to time effected for the settlement of trade payables for the above transactions.

- (iii) *Sale of equity interests in subsidiaries of Shuanghui Development*

As part of the internal reorganisation to simplify the Group’s structure, Rotary Vortex has previously sold its minority interests in certain subsidiaries of Shuanghui Development to Shuanghui Development.

In this regard, funds were transferred from the onshore account(s) of Shuanghui Development and/or its subsidiaries to the Hong Kong account(s) of Rotary Vortex for the settlement of the consideration for such sales.

- 2. Mr. Wan Hongjian alleged that Mr. Wan Long (together with his secretary) has obtained bonus of over HK\$5 billion from the Company following the completion of the acquisition of Smithfield Foods, Inc. (“Smithfield”, an indirect wholly owned subsidiary of the Company) in 2013. In addition, Mr. Wan Long instructed the Company to grant himself 350 million awarded shares in 2017, which was promised to be granted to the Company’s management team.**

The Company wishes to clarify that:

- (i) 573,099,645 Shares and 245,614,133 Shares (then valued at approximately US\$418 million and US\$179 million) were issued to Mr. Wan Long’s wholly-owned company and Mr. Yang Zhijun’s wholly-owned company respectively by the Company to recognise the contributions of Mr. Wan Long and Mr. Yang Zhijun to the acquisition of Smithfield in 2013, where Mr. Yang Zhijun was then an executive Director and a vice president of the Company; and
- (ii) 350,877,333 Shares were granted to Mr. Wan Long in 2017 pursuant to the share award plan adopted by the Board in 2013 (the “**2013 Share Award Plan**”).

The relevant issuance and award of Shares were duly administered in compliance with the relevant rules and regulations.

Further details of the relevant share awards are set out as follows:

Share-based payment transactions in 2013

On 23 October 2013, the Company undertook the following share-based payment transactions to recognise and reward Mr. Wan Long's and Mr. Yang Zhijun's contributions to the acquisition of Smithfield completed in September 2013, which marked the business expansion of the Company to the U.S. and international market:

- (i) *4.9% Share Issuance to Sure Pass.* The Company allotted and issued 573,099,645 Shares, representing approximately 4.9% of the Company's then issued share capital on a fully diluted basis, to Sure Pass Holdings Limited ("**Sure Pass**"), a company organized and existing under the laws of the BVI and wholly owned by Mr. Wan Long.
- (ii) *2.1% Share Issuance to Rich Matrix.* The Company allotted and issued 245,614,133 Shares, representing approximately 2.1% of the Company's then issued share capital on a fully diluted basis, to Rich Matrix Global Limited ("**Rich Matrix**"), a company organized and existing under the laws of the BVI and wholly owned by Mr. Yang Zhijun.

The voting rights in respect of the Shares held by Sure Pass and Rich Matrix would be exercised in accordance with the direction to be given by Heroic Zone Investment Limited. The estimated fair value of these share awards as at grant date amounted to approximately US\$597 million.

Please refer to page 152 of the prospectus of the Company dated 24 July 2014 (the "**Prospectus**") for more details.

Grant of Share Award in 2017

The Board adopted the 2013 Share Award Plan on 23 October 2013. Under the 2013 Share Award Plan, Mr. Wan Long and Mr. Jiao Shuge, both as Directors, are entitled to jointly select the recipients of the share awards.

In accordance with the rules of the 2013 Share Award Plan, Mr. Wan Long was provisionally awarded 350,877,333 Shares (the "**2013 Awarded Shares**") on 28 April 2017. The vesting of the 2013 Awarded Shares pursuant to the terms and conditions set out in the relevant award notice and under the rules of the 2013 Share Award Plan was completed on 28 June 2019 by way of transfer of the entire interest in High Zenith Limited ("**High Zenith**"). High Zenith has undertaken to exercise the voting rights in respect of the 2013 Awarded Shares in accordance with the direction given by the Company from time to time.

Please refer to pages 151 and 152 of the Prospectus and pages 56 and 57 of the Company's 2019 annual report for more details.

3. **Mr. Wan Hongjian alleged that in February 2021, Mr. Wan Long and Mr. Guo Lijun (“Mr. Guo”, an executive Director) instructed Shuanghui Development to import pork from the U.S. at the price of USD25,800 per tonne (the “Import Transactions”), which was substantially higher than the market price of USD21,000 per tonne. As a result, the Company suffered a loss of over RMB800 million for the inventory write-off.**

The Company wishes to clarify that:

- (i) Cross-border trade transactions between the Company’s subsidiaries in Hong Kong with the Company’s subsidiaries in the U.S. and Europe, and between the Company’s subsidiaries in Hong Kong with the Company’s subsidiaries in the mainland China, including the Import Transactions, constitute related party transactions of the Group which have been carried out in the ordinary course of business of the relevant parties and in accordance with the relevant rules and regulations. These transactions are for the purpose of achieving synergies within the Group.

The prices for the Import Transactions were the then prevailing market prices being determined according to the market practice (i) based on the average purchase price of similar products of the same quality of the purchaser(s) in the relevant period; and (ii) with reference to the relevant price of sales of the seller(s) by related parties to non-related parties.

- (ii) As at the end of June 2021, the Company had an inventory of 164,000 metric tonnes of imported meat in the PRC (including, but not limited to, the pork imported from the U.S.). For the six months ended 30 June 2021, Shuanghui Development made a provision of inventory impairment of RMB126 million due to the drop in the prices of live hogs in the mainland China. As unrealized gain/loss on the Import Transaction has been eliminated on the consolidated accounts of the Company, no impairment loss on such inventory is needed for the period ended 30 June 2021.

The accounting policies (including those applicable for inventories) have been consistently applied by both the Group and Shuanghui Development. The interim financial information of the Group for the six months ended 30 June 2021 has been reviewed by its auditors, Ernst & Young.

4. **Mr. Wan Hongjian alleged that Mr. Guo was not qualified to be promoted as the chief executive officer of the Company as he has caused the Company substantial losses for the foreign exchange hedge and the import of pork.**

Taking into account of, among others, Mr. Guo’s experience, qualifications and in-depth understanding of the business of the Group, the Board considers Mr. Guo to be the most suitable candidate as the chief executive officer of the Company.

The biography of Mr. Guo is set out as follows:

Mr. Guo was appointed as an executive Director on 31 December 2013. He has also served as an executive vice president from April 2016 to 11 August 2021. Mr. Guo was the chief financial officer of the Company from April 2016 to 11 August 2021, the deputy chief executive officer of the Company from October 2013 to January 2014, and a vice president and the chief financial officer of the Company from January 2014 to March 2016. Mr. Guo has over 20 years of experience overseeing the financial operations of various companies.

As mentioned in the responses to the allegation no.3 above, the Group on a consolidated basis had not incurred any impairment loss on the inventory of imported meat in the PRC for the period ended 30 June 2021.

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 currency mismatch in sources and usages of funds in their ordinary course of businesses. The management team of the Company monitors the Group's foreign exchange exposure and may sometimes enter into forward contracts. In 2020, the Group recorded a fair value loss of financial derivatives of an immaterial amount of less than 3% of our reported profit for the year due to volatility of Renminbi in relation to U.S. and HK dollars during the period.

- 5. Mr. Wan Hongjian alleged that in 2007, Mr. Wan Long obtained 5% of Shuanghui Development for free from CDH Investment during the reorganization of Shuanghui Development (the "CDH Allegation"). Mr. Wan Long subsequently sold 5% interests in Shuanghui Development at a consideration of USD200 million, but he has never declared or paid tax for such amount (together with the CDH Allegation, the "5% Shares Allegations").**

Each of CDH Investment and Mr. Wan Long has, in writing, denied the CDH Allegation and the 5% Shares Allegations respectively.

Based on the information of the Company, the shareholding interests of the largest public shareholders of Shuanghui Development other than the controlling shareholders who are the Company's subsidiaries as at the end of each of the year during 2007 and 2020 ranges from 0.95% to 3.66%, where the highest shareholding of 3.66% recorded was held by the Central Clearing and Settlement System (CCASS) as at the end of 2018.

Based on the aforementioned, having made all such enquiries as is reasonable in the circumstances and to the best of the Company's knowledge, nothing has come to the Company's attention that would reasonably cause it to disagree that the 5% Shares Allegations are untrue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

By order of the board of
WH Group Limited
WAN Long
Chairman

Hong Kong, 23 August 2021

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun, Mr. WAN Hongwei, Mr. MA Xiangjie and Mr. Charles Shane SMITH; 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.