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WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

UNAUDITED CONSOLIDATED QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

The board (the “**Board**”) of directors (the “**Directors**”) of WH Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended March 31, 2019 (“**3M 2019**” or the “**Period**”). This announcement is made by the Company on a voluntary basis to enhance the practice of good corporate governance and further promote the transparency and accountability of the Company.

HIGHLIGHTS

| | 3M 2019 | | 3M 2018 | |
|--|----------------------------------|------------------------|----------------------------------|------------------------|
| Key operating data | | | | |
| Hogs produced (thousand heads) | | 5,459 | | 5,117 |
| Hogs processed (thousand heads) | | 14,843 | | 13,945 |
| Packaged meats sold (thousand metric tons) | | 790 | | 794 |
| | | | | |
| | 3M 2019 | | 3M 2018 | |
| | Results before | Results after | Results before | Results after |
| | biological fair | biological fair | biological fair | biological fair |
| | value | value | value | value |
| | adjustments | adjustments | adjustments | adjustments |
| | US\$ million | | US\$ million | |
| | (unless otherwise stated) | | (unless otherwise stated) | |
| Key financial data | | | | |
| Revenue | 5,282 | 5,282 | 5,620 | 5,620 |
| EBITDA | 471 | 669 | 516 | 472 |
| Operating profit | 341 | 341 | 379 | 379 |
| Profit attributable to owners of the Company | 196 | 348 | 249 | 220 |
| Basic earnings per share (US\$ cents) | <u>1.34</u> | <u>2.37</u> | <u>1.70</u> | <u>1.50</u> |
| | | | As at | As at |
| | | | March 31, | December 31, |
| | | | 2019 | 2018 |
| | | | US\$ million | |
| Total assets | | | 16,171 | 15,298 |
| Equity attributable to owners of the Company | | | <u>8,179</u> | <u>7,746</u> |

- Revenue decreased by 6.0%
- Operating profit decreased by 10.0%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 21.3%

INDUSTRY OVERVIEW

As the largest pork company in the world, our business is closely tied with the hog industry in each market that we operate. Supply and demand drive the movement in prices of hog and meat and consequently impact our inputs (costs) and outputs (sales). During the Period, the average hog price in the People’s Republic of China (“**China**”) was RMB13.3 (equivalent to approximately US\$2.0) per kilogram (“**kg**”), a decrease of 2.9% from that of the three months ended March 31, 2018 (“**3M 2018**” or the “**Comparable Period**”). In the United States of America (the “**U.S.**”), the average hog price and pork cutout value for the Period decreased by 17.0% to US\$1.0 per kg and by 12.3% to US\$1.5 per kg, respectively, due to increased hog production and unresolved trade issues. Having said that, the spread of African Swine Fever (“**ASF**”) in China started to reduce its pork production and sow inventory. Hog prices of key markets in the globe moved up notably approaching the end of the period.

RESULTS OF OPERATIONS

| | Packaged meats | Fresh pork | Hog production <i>US\$ million</i> | Others ⁽³⁾ | Total |
|--------------------------------|-------------------|--------------|--|-----------------------|--------------|
| 3M 2019 | | | | | |
| Revenue⁽¹⁾ | | | | | |
| China | 860 | 833 | 2 | 69 | 1,764 |
| U.S. | 1,816 | 1,145 | 132 | — | 3,093 |
| Europe ⁽²⁾ | 190 | 151 | 12 | 72 | 425 |
| | <u>2,866</u> | <u>2,129</u> | <u>146</u> | <u>141</u> | <u>5,282</u> |
| Operating profit/(loss) | | | | | |
| China | 145 | 80 | (5) | 3 | 223 |
| U.S. | 237 | 68 | (157) | (38) | 110 |
| Europe ⁽²⁾ | 15 | — | (6) | (1) | 8 |
| | <u>397</u> | <u>148</u> | <u>(168)</u> | <u>(36)</u> | <u>341</u> |

| | Packaged meats | Fresh pork | Hog production <i>US\$ million</i> | Others ⁽³⁾ | Total |
|--------------------------------|-------------------|--------------|--|-----------------------|--------------|
| 3M 2018 | | | | | |
| Revenue⁽¹⁾ | | | | | |
| China | 875 | 937 | 2 | 64 | 1,878 |
| U.S. | 1,912 | 1,197 | 183 | — | 3,292 |
| Europe ⁽²⁾ | 193 | 171 | 15 | 71 | 450 |
| | <u>2,980</u> | <u>2,305</u> | <u>200</u> | <u>135</u> | <u>5,620</u> |
| Operating profit/(loss) | | | | | |
| China | 169 | 39 | 2 | 4 | 214 |
| U.S. | 180 | 11 | (21) | (29) | 141 |
| Europe ⁽²⁾ | 13 | 6 | 6 | (1) | 24 |
| | <u>362</u> | <u>56</u> | <u>(13)</u> | <u>(26)</u> | <u>379</u> |

Notes:

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

Packaged Meats

During the Period, sales volumes of our packaged meats was 790 thousand metric tons, a mild decrease of 0.5% over that of Comparable Period as the volume growth in China and Europe (2.3% and 6.5% respectively) was offset by the decrease in the U.S. given the timing of Easter holiday. Revenue decreased by 3.8% as a result of lower sales volume in the U.S. and the adverse impact of exchange rates in China. However, it is worth mentioning that revenue in China was indeed up by 4.3% on currency neutral basis due to volume expansion and pricing uplift. In terms of operating profit, an increase of 9.8% was achieved in the Period as our operations in both the U.S. and Europe benefited from favorable raw materials prices. The continuous optimization of our product portfolio in the U.S. also drove the improvement in its operating profit. On the other hand, operating profit in China decreased as raw material costs, wages and marketing expenses increased and the currency exchange impact was negative.

Fresh Pork

Total number of hogs processed in the Period increased by 6.4%. The increase was mainly attributable to the growth of 20.7% in China as we took advantage of our widely established production and logistics facilities to seize the opportunity of the relatively low hog prices before Chinese New Year and the changing industry landscape after the outbreak of ASF. External sales volume of fresh pork in the Period remained stable at approximately 1.1 million metric tons. Fresh pork revenue decreased by 7.6% as all markets that we operate in were impacted by downward-trending pork prices. Operating profit, however, increased significantly by 2.6 times to US\$148 million in the Period. The notable increase in operating profit in the U.S. was primarily due to the widened spread between hog and pork prices as compared to the Comparable Period. Operating profits in China also recorded considerable growth as our gross profit margin and slaughtering scale expanded.

Hog Production

During the Period, our hog production volume was up by 6.7%. Operating loss, however, increased from US\$13 million in the Comparable Period to US\$168 million in the Period. The majority of our hog production business is in the U.S. and Europe. The enlargement in operating loss in the Period was primarily caused by the decrease in hog prices in such markets as a result of oversupply.

INTERNAL RESTRUCTURING

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

OUTLOOK

The operating landscape, driven by economic growth, consumer preferences, industry cycle and epidemics, is always impacting our business. We expect 2019 to be a year filled with challenges and implied opportunities as the recent exacerbated change of the dynamics in geopolitical relations and spread of ASF increased the uncertainties in our operations in the relevant regions. In any case, we are making every endeavour to increase our competitiveness and improve our profitability. When bio-security and food safety issues are increasingly the concerns, we are providing our customers with products of superior quality by relying on our rigorous quality control and food safety systems. As a geographically diversified consumer goods company with branded packaged meats as our core business, we have a distinctive market position to combat challenges, seize opportunities and attain continuous growth.

REVIEW OF FINANCIAL INFORMATION

The Group's financial information for the three months ended March 31, 2019 is unaudited, but has been reviewed by the audit committee of the Board.

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

Hong Kong, April 29, 2019

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. WAN Hongjian, Mr. GUO Lijun, Mr. SULLIVAN Kenneth Marc and Mr. MA Xiangjie; the non-executive Director is Mr. JIAO Shuge; and the independent non-executive Directors are Mr. HUANG Ming, Mr. LEE Conway Kong Wai and Mr. LAU, Jin Tin Don.