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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

HIGHLIGHTS

	Six months ended June 30, 2019	2018
Key operating data		
Hogs produced (thousand heads)	**10,582**	10,127
Hogs processed (thousand heads)	**28,233**	27,832
Packaged meats sold (thousand metric tons)	**1,610**	1,603

	Six months ended June 30, 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) **(unaudited)**		*US$ million (unless otherwise stated)* (unaudited)	
Key financial data				
Revenue	**11,127**	**11,127**	11,169	11,169
EBITDA	**1,032**	**1,163**	1,111	1,049
Operating profit	**765**	**765**	867	867
Profit attributable to owners of the Company	**463**	**569**	557	514
Basic earnings per share (US cents)	**3.15**	**3.87**	3.80	3.50
Interim dividend per share (HK$)	**0.05**	**0.05**	0.05	0.05

- Revenue decreased by 0.4%
- Operating profit decreased by 11.8%
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 16.9%

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 six months ended June 30, 2019 (the "**Review Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the interim financial information of the Group, including the related notes, set forth in the financial information section of this announcement.

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. To maintain steady performance and maximise profitability, we rely on our seasoned and experienced management team to manage the market dynamics effectively.

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

According to the statistics of the National Bureau of Statistics of China, the total production of hogs in the Review Period was 313 million heads, 6.2% lower than the six months ended June 30, 2018 (the "**Comparable Period**"). The total production of pork was 24.7 million tons, a decrease of 5.5% as compared to the Comparable Period. With reference to the statistics published by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**MOA**"), the average hog price during the Review Period was Renminbi ("**RMB**") 14.3 (approximately US$2.1) per kg, an increase of 16.1% over the Comparable Period.

The industrial trends above showed the overlay effect of the cyclical factor and the outbreak of African Swine Fever ("**ASF**") in various regions since August 2018. Up to the end of the Review Period, over 140 cases of ASF in 31 provinces were reported. The government adopted certain important measures such as immediate culling of infected hogs and restricted transportation of live hogs to control the epidemic. As many hog farmers were adversely affected by the situation, their incentive to replenish stock was lowered. According to information of the MOA, hog inventory at the end of the Review Period decreased by 25.8% from a year ago. The number of breeding sows was reduced by 26.7%. The degree of contraction in hog inventory and number of breeding sows continued to increase during the Review Period. Therefore, market supplies of hogs and pork are expected to be constricted, prices of hog and pork are expected to increase going forward.

The escalation of hog and pork prices increased the attractiveness of imported pork. According to the statistics of the General Administration of Customs of the People's Republic of China, the total volume of imported pork for the Review Period was 26.3% higher than that of the Comparable Period.

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, the hog prices and pork value 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 2.0% during the Review Period, in which pork rose 4.4%, beef rose 0.8% and chicken rose 1.4%. The increase in pork production volume was the result of expansion in farms and processing capacities. Having said that, the predicted death of hogs and shortage of pork driven by the spread of ASF in China supported the upward movement of prices globally. The average hog price, according to Chicago Mercantile Exchange, Inc. ("**CME**"), was US$1.15 per kg during the Review Period, an increase of 0.9% over that of the Comparable Period.

With the increase in supply, the industry desired more pork to be marketed internationally. However, the export volume of U.S. pork and offals in the Review Period was down by 4.2% over the Comparable Period, according to the data of the USDA. The decline was mainly caused by the discernible decrease of 19.9% in the export to Mexico as Mexico imposed 20% duty on U.S. pork since mid-2018. Mexican demand for U.S. pork re-established following the removal of such duty in May 2019. Exports to China, on the other hand, recorded an increase of 26.1% during the Review Period. Such increase was resulted from the growth of import demand in China. However, as U.S.-China trade dispute continued, the U.S. was in an unfavorable position to further expand its exports.

Impacted by on-going supply-demand imbalance, the average pork cutout value for the Review Period, as published by the USDA, decreased by 0.6% over the Comparable Period. Such decrease, coupled with the increase in the average hog price during the same time, placed the profitability level of the processors under pressure.

RESULTS OF OPERATIONS

Our business primarily consists of the following three operating segments, namely packaged meats, fresh pork and hog production.

	Six months ended June 30,		
	2019	2018	Change
	US$ million	*US$ million*	*%*
Revenue[1]			
— Packaged meats	**5,886**	5,901	(0.3)
— Fresh pork	**4,600**	4,589	0.2
— Hog production	**329**	397	(17.1)
— Others[2]	**312**	282	10.6
	11,127	11,169	(0.4)
Operating profit (loss)			
— Packaged meats	**761**	788	(3.4)
— Fresh pork	**103**	93	10.8
— Hog production	**(45)**	22	N/A
— Others[2]	**(54)**	(36)	50.0
	765	867	(11.8)

Notes:

(1) Revenue refers to net external sales.

(2) Others revenue primarily represents sales of ancillary products and services. Others operating loss includes certain corporate expenses.

The packaged meats segment has always been our core business. It accounted for 52.9% (Comparable Period: 52.8%) of the Group's revenue in the Review Period. Its contribution to the Group's operating profit was 99.5% in the Review Period (Comparable Period: 90.9%).

Geographically, our operations in China contributed 33.7% and 55.4% of the revenue and operating profit of the Group in the Review Period, respectively (Comparable Period: 32.8% and 54.7%). Contribution of our operations in the U.S. to the revenue and operating profit of the Group in the Review Period were 57.9% and 38.4% (Comparable Period: 58.7% and 38.1%), respectively. The rest of the revenue and operating profit of the Group came from our operations in Europe.

Packaged Meats

	Six months ended June 30,		
	2019	2018	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**1,732**	1,762	(1.7)
U.S.	**3,744**	3,733	0.3
Europe	**410**	406	1.0
	5,886	5,901	(0.3)
Operating profit			
China	**288**	367	(21.5)
U.S.	**446**	394	13.2
Europe	**27**	27	—
	761	788	(3.4)

In the Review Period, our packaged meats sales volume slightly increased by 0.4% to 1,610 thousand metric tons. In China, sales volume in the Review Period was similar to that of the Comparable Period as consumer market slowed down and we raised prices proactively. Meanwhile, we continued to transform our product portfolio by introducing new products and expanding new sales channels. Sales volume in the U.S. was down by 0.2% during the Review Period as we consciously reduced the products with lower profitability. In Europe, our sales volume increased benefiting from organic growth and recent acquisitions.

Revenue during the Review Period mildly decreased by 0.3% to US$5,886 million. Revenue in China reported a decrease due to currency translation. Its revenue in RMB in fact increased by 4.4% as a result of price and product mix adjustments. In the U.S., revenue was flat as compared to the Comparable Period because the impact of the increase in average selling price ("**ASP**") outweighed the reduction in sales volume. The major reasons for the increase of ASP were the improvement in product mix and the rise of meat value, which drove up the price of the products that applied formula pricing. In Europe, revenue in the Review Period increased slightly. Regardless of currency change, we achieved growth in both volume and ASP.

Operating profit was US$761 million in the Review Period, 3.4% lower than that in the Comparable Period. In China, operating profit declined substantially as the impact of unfavourable costs structure outpaced the benefit of the price adjustment. During the Review Period, the costs of raw material such as pork and chicken meat rose significantly. 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 was driven by product mix improvement as we were migrating our sales volumes to high value-added categories, along with the savings being brought by our "One SAP" initiative. Although higher wages and distribution costs countervailed part of the increase in our operating profit in the U.S., we achieved a record high in the Review Period. In Europe, our operating profit stayed flat as compared to the Comparable Period because the increase in sales was offset by higher costs and negative foreign exchange impact. Our operating objective is to accelerate growth in Europe by continuous volume expansion and efficiency enhancement.

Fresh Pork

	Six months ended June 30,		
	2019	2018	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**1,851**	1,772	4.5
U.S.	**2,400**	2,462	(2.5)
Europe	**349**	355	(1.7)
	4,600	4,589	0.2
Operating profit (loss)			
China	**125**	95	31.6
U.S.	**(15)**	(15)	—
Europe	**(7)**	13	N/A
	103	93	10.8

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 the Review Period was 28,233 thousand heads, an increase of 1.4% over that of Comparable Period. The increase was mainly contributed by our slaughtering business in China as the number of hogs processed there rose by 3.7% to 8,578 thousand heads. During the Review Period, 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 to expand our production scale and sales channels. However, as the impact of ASF manifested gradually, our volume was constrained by the reduction in market supplies of live hog and softening in demand. Our processing volume in the U.S. and Europe were similar to that of the Comparable Period, as market fundamentals remained weak in the Review Period.

External sales volume of fresh pork was 2,162 thousand metric tons, 6.0% less than the level in the Comparable Period as we adjusted our operating strategies in light of the changing market dynamics. Fresh pork revenue remained stable at US$4,600 million in the Review Period as the growth in China was offset by the decline in the U.S. and Europe. Revenue in China increased by 4.5% from that of the Comparable Period because the impact of the upward-trending pork prices surpassed the decrease in sales volume. In the U.S., revenue was down by 2.5% was primarily due to sales volume decreased.

Our operating profit of fresh pork increased from US$93 million in the Comparable Period to US$103 million in the Review Period. In China, we achieved considerable growth of 31.6% as our slaughtering scale and gross profit margin expanded prominently in the first half of the Review Period. In the U.S., our performance was the same during the Review Period and the Comparable Period. Such results revealed the impact of the adverse operating conditions, including the high hog costs as a result of the expectations on the ASF situation in China, the low pork value due to oversupply and trade disruptions, as well as the high production costs driven up by wages increase. Although part of these unfavorable factors was offset by our effective hedges, we recorded an operating loss of US$15 million. In Europe, our operating loss was primarily due to increase in raw material costs and decrease in sale prices.

Hog Production

	Six months ended June 30,		
	2019	2018	Change
	US$ million	*US$ million*	*%*
Revenue			
China	**2**	4	(50.0)
U.S.	**302**	362	(16.6)
Europe	**25**	31	(19.4)
	329	397	(17.1)
Operating profit (loss)			
China	**(7)**	1	N/A
U.S.	**(62)**	1	N/A
Europe	**24**	20	20.0
	(45)	22	N/A

In the Review Period, hog production volume increased by 4.5% to 10,582 thousand heads. Revenue from hog production decreased by 17.1% to US$329 million. An operating loss of US$45 million was recorded (Comparable Period: operating profit of US$22 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 turned profit into loss, which was mainly driven by better hedging results in the Comparable Period.

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. During the Review Period, revenue generated by our other businesses amounted to US$312 million, an increase of 10.6% as compared to the Comparable Period. Our logistics business in China and poultry business in Europe and China made a respectable contribution to our other businesses. Our logistics business currently owns 21 logistics centers across 14 provinces covering the majority of China. These facilities enable us to deliver our packaged meats and fresh pork to customers timely and safely. Our poultry business processed approximately 58 million heads of broiler and turkey during the Review Period. The growth of poultry business is an integral part of our strategy in protein diversification.

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 an adequate level of liquidity. We had bank balances and cash of US$358 million as at June 30, 2019 (as at December 31, 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 June 30, 2019, the balance was US$432 million (as at December 31, 2018: US$317 million).

Our current ratio (ratio of consolidated current assets to consolidated current liabilities) was 1.7 times as at June 30, 2019 (as at December 31, 2018: 1.6 times). The aggregate amount of unutilised banking facilities as at June 30, 2019 was US$2,903 million (as at December 31, 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 the Review Period, our net cash from operating activities amounted to US$399 million (Comparable Period: US$134 million). The increase in cash inflow mainly revealed the fact that although inventory increased, we strengthened our management in payables and the proceeds from settlements of financial derivatives also increased. Our net cash used in investing activities in the Review Period amounted to US$540 million (Comparable Period: US$487 million). The increase in cash outflow was mainly driven by the completion of the acquisition of Pini Polonia (as defined hereinafter). Our net cash used in financing activities in the Review Period amounted to US$1 million (Comparable Period: US$365 million). The decrease in outflow was mainly associated with the movements in borrowings and dividends paid to shareholders of the Company. After all, our net decrease in cash and cash equivalents was US$142 million in the Review Period (Comparable Period: net decrease of US$718 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 2019 to refinance part of its existing debts and replenish working capital.

In the Comparable Period, our Group established a commercial paper program of up to US$1,750 million for short-term liquidity needs. As at June 30, 2019, our outstanding balance of commercial paper was US$75 million in aggregate (as at December 31, 2018: US$236 million).

Debt Profile

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

	At June 30, 2019 *US$ million*	At December 31, 2018 *US$ million*
Borrowings by nature		
Senior unsecured notes	**2,185**	1,788
Bank borrowings	**1,228**	1,051
Commercial paper	**75**	236
Loans from third parties	**3**	3
Bank overdrafts	**17**	41
	3,508	3,119
Borrowings by geographical region		
U.S.	**2,555**	2,362
China	**767**	621
Europe	**186**	136
	3,508	3,119

The Group's total principal amount of outstanding borrowings as at June 30, 2019 was US$3,529 million (as at December 31, 2018: US$3,134 million). The maturity profile is analysed as follows:

	As a % of total borrowings
In 2019	16%
In 2020	23%
In 2021	13%
In 2022	12%
In 2023	8%
In 2027	17%
In 2029	11%
	100%

Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. 74.5% of our borrowings were denominated in US$ as at June 30, 2019 (as at December 31, 2018: 78.8%). The rest of our borrowings was denominated in RMB, Hong Kong Dollar ("**HK$**"), RON, PLN and Euro.

As at June 30, 2019, 94.6% of our borrowings were unsecured (as at December 31, 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 Review Period.

Leverage Ratios

As at June 30, 2019, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 39.0% and 35.0%, respectively (as at December 31, 2018: 37.1% and 30.8%, respectively). Our debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts to EBITDA before biological fair value adjustments) and net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA as at June 30, 2019, before biological fair value adjustments) were 1.7 times and 1.6 times, respectively (as at December 31, 2018: 1.5 times and 1.2 times, respectively).

Finance Costs

Our finance costs were US$70 million in the Review Period, 27.3% higher than that of the Comparable Period. The increase was mainly due to the increase in amount and extension in average maturity of our borrowings, as well as the finance cost in relation to the lease recognised upon the application of IFRS 16.

As at June 30, 2019, the average interest rate of our total borrowings was 3.7% (as at December 31, 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.

HUMAN RESOURCES

We continued with our focus on talent management and employee engagement. As at June 30, 2019, we had approximately 108 thousand employees in total, of which approximately 53 thousand employees were with our China operation, approximately 40 thousand and 15 thousand employees were with our U.S. and European operations respectively. The Group provides training programs to the employees with a view to constantly improving their skills and knowledge. It is also our policy to ensure that remuneration for employee, is appropriate and aligns with the goals, objectives and performance of the Group. Total remuneration expenses in the Review Period amounted to US$1,833 million (Comparable Period: US$1,755 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 schemes.

BIOLOGICAL ASSETS

As at June 30, 2019, we had a total of 13,556 thousand hogs, consisting of 12,447 thousand live hogs and 1,109 thousand breeding stock, an increase of 4.2% from 13,009 thousand hogs as at December 31, 2018. We also had a total of 6,382 thousand poultry, consisting of 5,758 thousand broilers and 624 thousand breeding stock. The fair value of our biological assets was US$1,236 million as at June 30, 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.

For the Review Period, the net impact of biological fair value adjustments on our profit or loss was a gain in the amount of US$105 million, as compared to a loss in the amount of US$44 million in the Comparable Period.

KEY INVESTMENT INTERESTS

Internal Restructuring

On January 25, 2019, three major subsidiaries of the Company, namely Shuanghui Group, Shuanghui Development and Rotary Vortex, entered into a merger agreement (the "**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. We expect that the Internal Restructuring will be completed within the year. Upon completion, Shuanghui Group will cease operation and be deregistered. Its assets, liabilities, employees, contracts and other rights and obligations will be transferred to Shuanghui Development. No material financial impact on the Group will result.

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 Group. Pini Polonia operates a hog slaughterhouse in Poland with an annual production capacity of approximately 4 million hogs. The completion of the acquisition of Pini Polonia enabled us to expand our scale and improve our efficiency in the fresh pork market in Poland.

During the Comparable Period, the Group completed the purchase of 100% equity interest of two Romanian packaged meats companies, Elit SRL and Vericom 2001 SRL, so as to strengthen our profitability and leading position in the packaged meats market in Romania.

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. Norson primarily produces hogs for use in its fresh pork operations. During the Review Period, share of profit from these Mexican joint ventures was US$5 million (Comparable Period: US$15 million). To further increase our processing capacity in Mexico, GCM opened a new and advance slaughtering facility. As at June 30, 2019, GCM and Norson had in aggregate approximately 153 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. It is expected that GCM and Norson will continue to be our important investments in Mexico and bring in profit to the Group.

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.

Capital expenditures amounted to US$272 million in the Review Period. The following table sets out our capital expenditures paid by geographical region for the periods indicated.

	Six months ended June 30,	
	2019	2018
	US$ million	*US$ million*
China	**42**	40
U.S.	**178**	248
Europe	**52**	38
	272	326

During the Review Period, our capital expenditures in China were mainly for the alternation of our packaged meats facilities. Our capital expenditures in the U.S. were primarily related to the modernisation of our slaughtering plants. Besides, we also invested in a joint-venture partnering with Roselein Alternative Energy to own, operate and maintain renewable biogas facilities on or near our hog farms. This is one of the long term projects that will contribute to our environmental, social and governance ("**ESG**") goals. Our capital expenditures in Europe were mainly for the building of a new poultry plant.

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. During the Review Period, the Group conducted enterprise risk assessments to analyse and report key risks, followed by the establishment of respective mitigation controls.

Commodities Price Risk

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 CME. 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 a 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. As at June 30, 2019, approximately 80.5% of our borrowings (other than bank overdrafts) were at fixed interest rates (as at December 31, 2018: 77.0%). To manage our interest rate exposure, we optimise our debt portfolio and enter into hedging activities from time to time.

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 and individuals may initiate litigation against the Group. Details and updates on the North Carolina nuisance litigation will be available in the interim report of the Company. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

SUSTAINABILITY

Sustainability is an important area of the Group's governance framework. The Board has established an ESG committee (the "**ESG Committee**") at the Group level, which sets sustainability goals and targets and guides our development strategy. During the Review Period, the Group held an ESG Committee meeting. At the meeting, the ESG Committee conducted review on the key ESG risks and its risk mitigation controls faced by the Group, as well as approved the 2018 Sustainability Report of the Group.

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. As a leading global operator, we are subject to different laws and legal standards in the markets where we operate, and the expectations of our stakeholders are significantly different between the various markets where we have a presence. Under the guidance of the ESG Committee, each of our business units also has its own sustainability body, which moves local sustainability initiatives forward in accordance with Group principles.

In 2018, the Group has become a constituent of the Hang Seng Corporate Sustainability Benchmark Index, in recognition of the Group's outstanding performance in sustainability.

OUTLOOK

The operating landscape, affected by economic growth, consumers' preference, industry cycle and epidemics, is always impacting our business. Under the overlay pressure of the wide-spread of ASF and unstable geopolitical situation nowadays, we anticipate the greatest challenge in China is the continuously soaring hog prices as a result of growing supply shortage which will push down our packaged meats margin. The greatest challenge in the U.S. is the on-going over-abundant supply of meats which will suppress our fresh pork profitability.

Against this backdrop, we will adjust our operating strategy to pave way for solid performance and sustainable growth. In China, we are making every endeavor to prevent and control ASF to provide customers with safe and high-quality products. We also take the opportunity of industry consolidation to expand the establishment of network so as to enlarge fresh port operation scale. In order to overcome the pressure of higher costs in packaged meats, we substantially increase sales prices, implement technology and production process innovations, strengthen day-to-day management, as well as strive to accelerate the transformation of product portfolio by developing new products and deploying marketing innovations. In the U.S., we continue to capitalize on our strength in the value chain. We work diligently to carry on the good momentum in the development of our packaged meats to further enhance the profitability. Simultaneously, we speed up the modernization of fresh meat business to uplift operational efficiency. We adjust our export strategy to expand sales channels and improve margin.

A strong packaged meats business, coupled with the advantages of being vertically integrated and geographically diversified, enable us to remain resilient even in a challenging and uncertain environment. We believe that we will contribute to the sustainable development of the Company, solidify its global leadership and create long lasting value for its shareholders, employees and communities by relentlessly pursuing the appropriate strategies.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2019

		For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Notes	**Results before biological fair value adjustments** *US$'million* **(Unaudited)**	**Biological fair value adjustments** *US$'million* **(Unaudited)**	**Total** *US$'million* **(Unaudited)**	Results before biological fair value adjustments *US$'million* (Unaudited)	Biological fair value adjustments *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
Revenue	3	**11,127**	**—**	**11,127**	11,169	—	11,169
Cost of sales		**(8,967)**	**302**	**(8,665)**	(8,905)	77	(8,828)
Gross profit		**2,160**	**302**	**2,462**	2,264	77	2,341
Distribution and selling expenses		**(1,017)**	**—**	**(1,017)**	(1,035)	—	(1,035)
Administrative expenses		**(381)**	**—**	**(381)**	(376)	—	(376)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**—**	**(172)**	**(172)**	—	(90)	(90)
Loss arising from changes in fair value less costs to sell of biological assets		**—**	**(2)**	**(2)**	—	(49)	(49)
Other income		**33**	**—**	**33**	64	—	64
Other gains and (losses)		**(3)**	**—**	**(3)**	(28)	—	(28)
Other expenses		**(40)**	**—**	**(40)**	(18)	—	(18)
Finance costs		**(70)**	**—**	**(70)**	(55)	—	(55)
Share of profits of associates		**1**	**—**	**1**	6	—	6
Share of profits of joint ventures		**2**	**3**	**5**	15	—	15
PROFIT BEFORE TAX	4	**685**	**131**	**816**	837	(62)	775
Taxation	5	**(120)**	**(26)**	**(146)**	(176)	18	(158)
PROFIT FOR THE PERIOD		**565**	**105**	**670**	661	(44)	617
Other comprehensive income (expense) for the period:							
Items that may be reclassified subsequently to profit or loss							
—exchange differences arising on translation of foreign operations				**8**			(100)
—fair value change in cash flow hedge				**214**			16
Other comprehensive income (expense) for the period, net of tax				**222**			(84)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**892**			533
Profit for the period attributable to:							
— owners of the Company				**569**			514
— non-controlling interests				**101**			103
				670			617
Total comprehensive income for the period attributable to:							
— owners of the Company				**790**			439
— non-controlling interests				**102**			94
				892			533
EARNINGS PER SHARE							
— Basic	7			**US3.87 cents**			US3.50 cents
— Diluted	7			**US3.85 cents**			US3.47 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Notes	**June 30, 2019 US$'million (Unaudited)**	December 31, 2018 US$'million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**5,427**	5,300
Right-of-use assets		**559**	—
Prepaid lease payments		**—**	175
Biological assets	9	**148**	147
Goodwill		**1,961**	1,847
Intangible assets		**1,723**	1,734
Interests in associates		**63**	150
Interests in joint ventures		**214**	202
Other receivables		**43**	40
Financial assets at fair value through profit or loss		**9**	7
Pledged bank deposits		**5**	4
Deferred tax assets		**56**	57
Other non-current assets		**192**	175
Total non-current assets		**10,400**	9,838
CURRENT ASSETS			
Properties under development	8	**35**	30
Prepaid lease payments		**—**	5
Biological assets	9	**1,088**	947
Inventories	10	**2,605**	2,022
Trade and bills receivables	11	**1,012**	1,135
Prepayments, other receivables and other assets		**454**	358
Taxation recoverable		**36**	67
Financial assets at fair value through profit or loss		**432**	317
Pledged/restricted bank deposits		**33**	54
Bank balances and cash		**358**	525
Total current assets		**6,053**	5,460

	Notes	**June 30, 2019** *US$'million* **(Unaudited)**	December 31, 2018 *US$'million* (Audited)
CURRENT LIABILITIES			
Trade payables	12	**749**	977
Accrued expenses and other payables	13	**1,388**	1,428
Lease liabilities/Obligation under finance leases		**100**	2
Taxation payable		**31**	61
Borrowings	14	**1,299**	819
Bank overdrafts	14	**17**	41
Total current liabilities		**3,584**	3,328
NET CURRENT ASSETS		**2,469**	2,132
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,869**	11,970
NON-CURRENT LIABILITIES			
Other payables	13	**195**	214
Lease liabilities/Obligations under finance leases		**281**	23
Borrowings	14	**2,192**	2,259
Deferred tax liabilities		**712**	598
Deferred revenue		**11**	10
Pension liability and other retirement benefits		**488**	448
Total non-current liabilities		**3,879**	3,552
NET ASSETS		**8,990**	8,418
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**8,286**	7,745
Equity attributable to owners of the Company		**8,287**	7,746
Non-controlling interests		**703**	672
TOTAL EQUITY		**8,990**	8,418

EXTRACTED FROM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**399**	134
Net cash used in investing activities	**(540)**	(487)
Net cash used in financing activities	**(1)**	(365)
Net decrease in cash and cash equivalents	**(142)**	(718)
Cash and cash equivalents at beginning of period	**484**	1,279
Effect of foreign exchange rate changes	**(1)**	(27)
Cash and cash equivalents at end of period	**341**	534
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**358**	655
Bank overdrafts	**(17)**	(121)
	341	534

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 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. Its immediate holding company is Heroic Zone Investments Limited ("**Heroic Zone**") which is incorporated in the British Virgin Islands while its ultimate holding company is Rise Grand Group Limited, also incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are hog production and production and sales of fresh pork and packaged meats.

The functional currency of the Company is United States Dollar ("**US$**"), as the majority of the Group's revenue is generated in US$, which is the currency of the primary economic environment in which the Group's major operating subsidiaries operate.

The interim financial information for the six months ended June 30, 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information has been prepared under the historical cost convention, except for biological assets, which are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell and certain financial instruments which are measured at fair value. This financial information is presented in US$ and all values are rounded to the nearest million except when otherwise indicated.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018.

The accounting policies and methods of computation adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the IASB, except for adoption of the new and revised IFRSs as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised IFRSs for the first time for the current period's interim 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 IFRS 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, other amendments and interpretations do not have significant impact on the unaudited condensed consolidated interim financial information of the Group.

The nature and the impact of adoption of IFRS 16 *Leases* are described below:

IFRS 16 *Leases*

IFRS 16 supersedes 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.

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 initially applying the standard recognised at the date of initial application.

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 building, machinery, motor vehicles and contract farm. 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 an elective exemption for short-term leases (elected by class of underlying asset).

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 condensed consolidated statement of financial position.

The right-of-use assets amounting to US$369 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. All these assets were assessed for any impairment based on IAS 36 on that date and presented under "Right-of-use assets" in the condensed consolidated statement of financial position.

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

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

	Increase/ (decrease) *US$'million*
Assets	
Right-of-use assets	593
Prepaid lease payments	(180)
Property, plant and equipment	(25)
Prepayments, other receivables and other assets	(5)
Total assets	383
Liabilities	
Lease liabilities	385
Accrued expenses and other payables	(2)
Total liabilities	383

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group determine the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it its reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

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. The interpretation did not have significant impact on the Group's condensed consolidated interim financial information.

3. 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, the United States 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.

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

	For the six months ended June 30, 2019				
	Packaged meats *US$'million* (Unaudited)	Fresh pork *US$'million* (Unaudited)	Hog production *US$'million* (Unaudited)	Others *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
China					
Gross segment revenue	**1,732**	**2,221**	**19**	**319**	**4,291**
Less: Inter-segment revenue	**—**	**(370)**	**(17)**	**(159)**	**(546)**
Revenue	**1,732**	**1,851**	**2**	**160**	**3,745**
Reportable segment profit (loss)	**288**	**125**	**(7)**	**19**	**425**
United States					
Gross segment revenue	**3,745**	**3,769**	**1,500**	**—***	**9,014**
Less: Inter-segment revenue	**(1)**	**(1,369)**	**(1,198)**	**—***	**(2,568)**
Revenue	**3,744**	**2,400**	**302**	**—***	**6,446**
Reportable segment profit (loss)	**446**	**(15)**	**(62)**	**(75)**	**294**
Europe					
Gross segment revenue	**431**	**559**	**328**	**190**	**1,508**
Less: Inter-segment revenue	**(21)**	**(210)**	**(303)**	**(38)**	**(572)**
Revenue	**410**	**349**	**25**	**152**	**936**
Reportable segment profit (loss)	**27**	**(7)**	**24**	**2**	**46**
Total					
Gross segment revenue	**5,908**	**6,549**	**1,847**	**509**	**14,813**
Less: Inter-segment revenue	**(22)**	**(1,949)**	**(1,518)**	**(197)**	**(3,686)**
Revenue#	**5,886**	**4,600**	**329**	**312**	**11,127**
Reportable segment profit (loss)	**761**	**103**	**(45)**	**(54)**	**765**
Net unallocated expenses					**(13)**
Biological fair value adjustments					**131**
Finance costs					**(70)**
Share of profits of associates					**1**
Share of profits of joint ventures					**2**
Profit before tax					**816**

* Less than US$1 million.

	For the six months ended June 30, 2018				
	Packaged meats *US$'million* (Unaudited)	Fresh pork *US$'million* (Unaudited)	Hog production *US$'million* (Unaudited)	Others *US$'million* (Unaudited)	Total *US$'million* (Unaudited)
China					
Gross segment revenue	1,762	2,173	29	274	4,238
Less: Inter-segment revenue	—	(401)	(25)	(143)	(569)
Revenue	1,762	1,772	4	131	3,669
Reportable segment profit	367	95	1	11	474
United States					
Gross segment revenue	3,735	3,791	1,489	—	9,015
Less: Inter-segment revenue	(2)	(1,329)	(1,127)	—	(2,458)
Revenue	3,733	2,462	362	—	6,557
Reportable segment profit (loss)	394	(15)	1	(50)	330
Europe					
Gross segment revenue	427	618	317	198	1,560
Less: Inter-segment revenue	(21)	(263)	(286)	(47)	(617)
Revenue	406	355	31	151	943
Reportable segment profit	27	13	20	3	63
Total					
Gross segment revenue	5,924	6,582	1,835	472	14,813
Less: Inter-segment revenue	(23)	(1,993)	(1,438)	(190)	(3,644)
Revenue#	5,901	4,589	397	282	11,169
Reportable segment profit (loss)	788	93	22	(36)	867
Net unallocated income					4
Biological fair value adjustments					(62)
Finance costs					(55)
Share of profits of associates					6
Share of profits of joint ventures					15
Profit before tax					775

Over 95% of the Group's revenue were recognised at a point in time.

No segment assets and liabilities are disclosed as they are not regularly provided to the chief operating decision makers.

Geographical information

Information about the Group's revenue presented above is based on the geographical locations of operation.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging (crediting):

	Six months ended June 30,	
	2019	2018
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**217**	212
Depreciation of right-of-use assets	**56**	—
Amortisation of intangible assets included in administrative expenses	**4**	4
Release of prepaid lease payments	**—**	3
Write-down of inventories included in cost of sales	**12**	43
Impairment loss recognised in respect of property, plant and equipment	**6**	1
Impairment loss recognised in respect of intangible assets	**8**	—
Net allowance on trade receivables	**1**	1
Lease expenses/minimum lease payments under operating leases	**38**	66
Research and development expenses	**66**	46
Staff costs (excluding directors' remuneration)	**1,821**	1,742
Loss on disposal of property, plant and equipment	**6**	4
Fair value gain on financial assets at fair value through profit or loss	**(13)**	(3)

The cost of sales represented the cost of inventories and services provided recognised in profit or loss during both periods.

5. TAXATION

	Six months ended June 30,	
	2019	2018
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
China Enterprise Income Tax	**73**	103
U.S. income tax	**32**	54
Other income taxes	**3**	13
Withholding tax	**12**	27
Deferred taxation	**26**	(39)
	146	158

Income tax is calculated at the applicable tax rates prevailing in the respective jurisdictions of the Group's operations.

6. DIVIDENDS

At the Company's annual general meeting held on May 28, 2019, the shareholders of the Company approved the payment of a final dividend of HK$0.15 per share (year ended December 31, 2017: HK$0.22 per share) of the Company for the year ended December 31, 2018, as recommended by the Board, which was paid in cash to the shareholders of the Company on June 21, 2019, whose names appeared on the register of members of the Company on June 3, 2019.

The Board declared an interim dividend of HK$0.05 per share for the six months ended June 30, 2019 (six months ended June 30, 2018: HK$0.05 per share) to the shareholders of the Company whose names appear on the register of members of the Company on August 27, 2019. The dividend is to be paid in cash to the shareholders of the Company on or about October 4, 2019.

7. 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:

	Six months ended June 30,	
	2019	2018
	US$'million	*US$'million*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**569**	514

	Six months ended June 30,	
	2019	2018
	million shares	*million shares*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**14,691.64**	14,674.17
Effect of dilutive potential ordinary shares: share options	**90.46**	126.29
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,782.10**	14,800.46

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the six months ended June 30, 2019, the Group incurred US$281 million (six months ended June 30, 2018: US$299 million) on the additions of items of property, plant and equipment.

During the six months ended June 30, 2019, the Group incurred US$5 million (six months ended June 30, 2018: US$5 million) on the additions to properties under development.

9. 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, 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 quantity of live hogs, broilers and breeding stock owned by the Group at the end of each reporting period are as follows:

	June 30, 2019 *Head ('000)* **(Unaudited)**	December 31, 2018 *Head ('000)* (Audited)
Live hogs		
— suckling	**1,986**	1,757
— nursery	**2,254**	2,122
— finishing	**8,207**	8,010
	12,447	11,889
Breeding stock (hogs)	**1,109**	1,120
	13,556	13,009
Broilers	**5,758**	3,990
Breeding stock (poultry)	**624**	525
	6,382	4,515

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of hogs and poultry. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular review to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls, surveys and insurance.

Carrying value of the Group's biological assets

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs and poultry at the end of each of the reporting periods.

Analysed for reporting purpose as:

	June 30, 2019 *US$'million* **(Unaudited)**	December 31, 2018 *US$'million* (Audited)
Current	**1,088**	947
Non-current	**148**	147
	1,236	1,094

Fair value measurement

The fair values of breeding stock (hogs and poultry) are determined based on the average of the historical selling price of hogs and poultry of similar breed and genetic merit less costs to sell (level 3). The estimated fair value will increase when there is an increase in the average historical selling price, and vice versa.

The fair values of live hogs and broilers are mainly determined based on the market 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.

10. INVENTORIES

	June 30, 2019 *US$'million* **(Unaudited)**	December 31, 2018 *US$'million* (Audited)
Raw materials	**700**	733
Work in progress	**119**	99
Finished goods	**1,786**	1,190
	2,605	2,022

11. TRADE AND BILLS RECEIVABLES

	June 30, 2019	December 31, 2018
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Trade receivables	**1,016**	1,137
Impairment	**(13)**	(12)
	1,003	1,125
Bills receivable	**9**	10
	1,012	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 channels and customers for the U.S. and other countries' operations.

The following is an ageing 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:

	June 30, 2019	December 31, 2018
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Current to 30 days	**894**	957
31 to 90 days	**106**	178
91 to 180 days	**12**	—*
	1,012	1,135

* Less than US$1 million.

12. TRADE PAYABLES

	June 30, 2019	December 31, 2018
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Trade payables	**749**	977

The average credit period on purchases of goods is about 30 days in China operations and the credit terms vary depending on the vendors for the U.S. and other countries of operations. The Group has financial risk management policies in place to ensure that the payables are paid within the credit timeframe.

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

	June 30, 2019	December 31, 2018
	US$'million	*US$'million*
	(Unaudited)	(Audited)
Within 30 days	**731**	923
31 to 90 days	**13**	40
91 to 180 days	**3**	7
181 to 365 days	**2**	7
	749	977

13. ACCRUED EXPENSES AND OTHER PAYABLES

	June 30, 2019 *US$'million* **(Unaudited)**	December 31, 2018 *US$'million* (Audited)
Accrued staff costs	**340**	373
Deposits received	**110**	104
Sales rebates payables	**199**	238
Payables in respect of acquisition of property, plant and equipment	**76**	110
Insurance payables	**138**	135
Interest payable	**29**	25
Balance of contingent consideration in respect of acquisition of subsidiaries	**10**	11
Growers payables	**39**	41
Pension liability	**14**	14
Amounts due to associates	**10**	11
Derivative financial instruments	**13**	14
Dividend payable	**6**	10
Contract liabilities	**168**	161
Accrued expenses	**276**	268
Other payables	**155**	127
	1,583	1,642
Analysed for reporting purposes as:		
Current liabilities	**1,388**	1,428
Non-current liabilities	**195**	214
	1,583	1,642

14. BORROWINGS

	June 30, 2019 *US$'million* **(Unaudited)**	December 31, 2018 *US$'million* (Audited)
Senior unsecured notes		
2.700% senior unsecured notes due January 2020	**399**	399
2.650% senior unsecured notes due October 2021	**398**	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**	—
	2,185	1,788
Commercial papers	**75**	236
Bank loans		
Secured	**186**	374
Unsecured	**1,042**	677
Loans from third parties		
Secured	**1**	1
Unsecured	**2**	2
Total borrowings	**3,491**	3,078
Bank overdrafts	**17**	41
The borrowings other than bank overdrafts are repayable as follows:		
Within one year	**1,299**	819
One to two years	**79**	451
Two to five years	**1,121**	1,211
After five years	**992**	597
	3,491	3,078
Less: Amounts due within one year shown under current liabilities	**(1,299)**	(819)
Amounts due after one year	**2,192**	2,259
Total borrowings other than bank overdrafts:		
At fixed rates	**2,810**	2,370
At floating rates	**681**	708
	3,491	3,078

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (Chairman), Mr. Huang Ming and Mr. Lau, Jin Tin Don. The Audit Committee and the Company's management have reviewed the interim results of the Group, together with the internal control and financial reporting matters of the Group, including the interim financial information for the Review Period which has been reviewed by the Company's external auditor, Ernst & Young.

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 Review Period, 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), 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 during the Review Period.

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 Review Period.

* *For identification purposes only*

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK$0.05 per share (2018: HK$0.05 per share) for the six months ended June 30, 2019 (the "**2019 Interim Dividend**"), representing a total payment of approximately HK$736 million (equivalent to approximately US$94 million) (2018: approximately HK$734 million, equivalent to approximately US$93 million) to the shareholders of the Company (the "**Shareholders**"). The 2019 Interim Dividend is expected to be paid in cash to the Shareholders whose names appear on the register of members of the Company on August 27, 2019 on or about Friday, October 4, 2019. The register of members of the Company will be closed from Wednesday, August 28, 2019 to Friday, August 30, 2019, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2019 Interim Dividend, Shareholders are reminded to lodge their transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms not later than 4:30 p.m. on Tuesday, August 27, 2019 for registration with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wh-group.com). The 2019 interim 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, August 13, 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.