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**Natural Food International Holding Limited**  
**五谷磨房食品國際控股有限公司**

*(Registered by way of continuation in the Cayman Islands with limited liability)*

**(Stock Code: 1837)**

**ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Natural Food International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as below.

	<b>2022</b>	<b>2021</b>	<b>Year-on-year</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>Change</b>
Revenue	<b>1,719,074</b>	1,610,322	7%
Gross profit	<b>1,098,384</b>	1,138,446	-4%
Profit before tax	<b>137,253</b>	113,682	21%
Profit for the year attributable to owners of the Company	<b>116,462</b>	86,531	35%
Earnings per share (expressed in RMB)			
Basic	<b>0.054</b>	0.039	N/A
Diluted	<b>0.053</b>	0.039	N/A

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2022*

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	4	<b>1,719,074</b>	1,610,322
Cost of sales		<u>(620,690)</u>	<u>(471,876)</u>
Gross profit		<b>1,098,384</b>	1,138,446
Other income and gains	4	<b>16,525</b>	12,266
Selling and distribution expenses		<b>(890,953)</b>	(954,443)
Administrative expenses		<b>(79,031)</b>	(81,561)
(Impairment of)/reversal of impairment of financial assets		<b>(5,958)</b>	3,497
Other expenses		<b>(1,067)</b>	(3,702)
Finance costs		<u>(647)</u>	<u>(821)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>137,253</b>	113,682
Income tax expense	6	<u>(20,791)</u>	<u>(27,151)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>116,462</u></b>	<b><u>86,531</u></b>
Attributable to:			
Owners of the parent		<b>116,462</b>	86,531
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>116,462</u></b>	<b><u>86,531</u></b>

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

*Year ended 31 December 2022*

	Note	2022 RMB'000	2021 RMB'000
<b>PROFIT FOR THE YEAR</b>		<b><u>116,462</u></b>	<b><u>86,531</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(45,044)	13,790
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		<u>55,610</u>	<u>(19,141)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>127,028</u></b>	<b><u>81,180</u></b>
Attributable to:			
Owners of the parent		127,028	81,180
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>127,028</u></b>	<b><u>81,180</u></b>
Earnings per share (expressed in RMB)			
Basic	8	<b><u>0.054</u></b>	<b><u>0.039</u></b>
Diluted		<b><u>0.053</u></b>	<b><u>0.039</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		<b>31 December 2022</b>	31 December 2021
	Notes	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>305,998</b>	313,704
Right-of-use assets		<b>44,867</b>	51,206
Intangible assets		<b>391</b>	338
Deferred tax assets		<b>62,283</b>	67,300
		<hr/>	<hr/>
Total non-current assets		<b>413,539</b>	432,548
<b>CURRENT ASSETS</b>			
Inventories		<b>81,865</b>	81,349
Trade and bills receivables	9	<b>191,583</b>	176,591
Prepayments, other receivables and other assets		<b>38,876</b>	49,511
Amounts due from related parties		<b>11,098</b>	11,141
Cash and cash equivalents		<b>781,337</b>	646,015
Restricted bank deposits		<b>556</b>	888
		<hr/>	<hr/>
Total current assets		<b>1,105,315</b>	965,495
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>84,888</b>	59,732
Contract liabilities		<b>12,155</b>	15,874
Other payables and accruals		<b>114,145</b>	127,735
Lease liabilities		<b>6,532</b>	6,200
Amounts due to related parties		<b>–</b>	261
Tax payable		<b>48,371</b>	45,772
		<hr/>	<hr/>
Total current liabilities		<b>266,091</b>	255,574
<b>NET CURRENT ASSETS</b>		<b>839,224</b>	709,921
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,252,763</b>	1,142,469
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONTINUED)**

*31 December 2022*

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	<b>48</b>	156
Deferred tax liabilities	<b>9,924</b>	7,524
Lease liabilities	<b>4,736</b>	10,550
	<hr/>	<hr/>
Total non-current liabilities	<b>14,708</b>	18,230
	<hr/>	<hr/>
Net assets	<b>1,238,055</b>	1,124,239
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	<b>147</b>	147
Other reserves	<b>1,237,908</b>	1,124,092
	<hr/>	<hr/>
Non-controlling interests	<b>–</b>	–
	<hr/>	<hr/>
Total equity	<b>1,238,055</b>	1,124,239
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# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company was formerly known as Roomy Development Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the “**BVI**”) on 30 November 2009. It was registered by way of continuation in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands and changed its name to “Natural Food International Holding Limited” on 11 May 2018. The address of the registered office of the Company is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 December 2018 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in processing and selling natural health food in the People’s Republic of China (the “**PRC**”).

### Information about subsidiaries

Name	Place and date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Natural Food International Group Limited	Hong Kong, 14 January 2009	Hong Kong dollar (“ <b>HK\$</b> ”)10,000	100%	–	Investment holding
Gold Parsons International Limited (“ <b>Gold Parsons</b> ”)	BVI, 16 December 2009	United States dollar (“ <b>USD</b> ”)1,783	100%	–	Investment holding
Natural Food Online Limited	Hong Kong, 28 April 2009	HK\$10,000	–	100%	Investment holding
Shenzhen Natural Food Co., Ltd. #	PRC, 15 December, 2011	HK\$8,000,000	–	100%	Sale of natural health food
Tongyuan New Agricultural Development (Huanggang) Co., Ltd. #	PRC, 19 October 2009	HK\$40,000,000	–	100%	Investment holding
Hubei Fuya Food Science and Technology Co., Ltd.	PRC, 30 March 2011	RMB20,000,000	–	100%	Manufacture and sale of natural health food
Guangxi Guiping Jingu Agricultural Development Co., Ltd.	PRC, 1 August 2013	RMB4,000,000	–	100%	Manufacture and sale of natural health food

Name	Place and date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Natural Food (Guangzhou) Co., Ltd. #	PRC, 16 March 2016	HK\$135,000,000	–	100%	Manufacture and sale of natural health food
Fuya Foods Technology (Shenzhen) Co., Ltd. #	PRC, 4 June 2009	HK\$21,000,000	–	100%	Investment holding and management and administration
Shenzhen Xiangya Food Co., Ltd.	PRC, 9 March 2007	RMB1,000,000	–	100%	Sale of natural health food
Shenzhen Changqing Food Technology Co., Ltd.	PRC, 10 November 2010	RMB5,000,000	–	100%	Sale of natural health food
Hubei Fuya Food Science and sales Co., Ltd	PRC, 21 January 2022	RMB5,000,000	–	100%	Sale of natural health food

# These subsidiaries were registered as wholly-owned foreign enterprises under PRC law.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

#### 4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax), during the years ended 31 December 2021 and 2022.

An analysis of revenue and other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>1,719,074</u>	<u>1,610,322</u>
	2022 RMB'000	2021 RMB'000
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,719,074</u>	<u>1,610,322</u>

The following table shows the amount of revenue recognised in the current year that was included in the contract liabilities at the beginning of the year:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	<u>10,511</u>	<u>12,330</u>
	2022 RMB'000	2021 RMB'000
<b><u>Other income and gains</u></b>		
Government grants*	3,925	2,000
Bank interest income	6,532	4,213
Income from financial assets at fair value through profit or loss	4,115	3,485
Commission income from provision of a sales platform	1,114	1,779
Others	839	789
	<u>16,525</u>	<u>12,266</u>

\* Various government grants have been received from local government authorities in the PRC. There are no unfulfilled conditions and other contingencies relating to these grants.

## 5. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000
Cost of inventories sold	620,690	471,876
Depreciation of property, plant and equipment	24,739	23,474
Depreciation of right-of-use assets	7,469	7,338
Lease payments not included in the measurement of lease liabilities	3,303	4,050
Research and development costs*	11,456	8,864
Amortisation of intangible assets	212	260
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs):		
Wages and salaries	135,815	134,560
Equity-settled share option expenses	291	1587
Equity-settled Share award expenses	3,682	–
Pension scheme contributions	12,318	11,836
Auditor's remuneration	1,868	1,858
Impairment losses/(reversal of impairment) on financial assets	5,958	(3,497)
Loss on disposal of items of property, plant and equipment**	7	3,058
Finance costs	647	821
Bank interest income	<u>(6,532)</u>	<u>(4,213)</u>

\* Research and development costs is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

\*\* Loss on disposal of items of property, plant and equipment is included in "Other expense" in the consolidated statement of profit or loss and other comprehensive income.

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the British Virgin Islands and the Cayman Islands, the Group was not subject to any income tax in the British Virgin Islands and the Cayman Islands during the years ended 31 December 2021 and 2022.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 2021 and 2022.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the “**PRC Tax Law**”) effective on 1 January 2008, the PRC corporate income tax rate of the Group’s subsidiaries operating in the PRC during the years ended 31 December 2021 and 2022 was 25% on the taxable profits.

During the years ended 31 December 2021 and 2022, income arising from the preliminary agricultural processed products in Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd. was not subject to income tax, pursuant to the relevant PRC tax laws.

The income tax expenses of the Group for the years ended 31 December 2021 and 2022 are analysed as follows:

	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
Current – PRC		
Charge for the year	<b>13,374</b>	24,609
Deferred	<b>7,417</b>	2,542
Total tax charge for the year	<b><u>20,791</u></b>	<b><u>27,151</u></b>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates are as follows:

	<b>2022</b>		2021	
	<b>RMB'000</b>	<b>%</b>	RMB'000	<b>%</b>
Profit before tax	<u><b>137,253</b></u>		<u>113,682</u>	
Tax at the applicable statutory rate in each jurisdiction	<b>36,468</b>	<b>26.6</b>	36,300	31.9
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<b>2,400</b>	<b>1.7</b>	6,508	5.7
Adjustments in respect of current tax of previous periods	<b>895</b>	<b>0.7</b>	2,593	2.2
Income not subject to tax *	<b>(27,253)</b>	<b>(19.9)</b>	(26,890)	(23.7)
Expenses not deductible for tax	<b>476</b>	<b>0.3</b>	5,182	4.6
Deferred tax expense arising from the write-down of a deferred tax asset	<b>5,791</b>	<b>4.2</b>	–	–
Tax losses not recognised	<u><b>2,014</b></u>	<u><b>1.5</b></u>	<u>3,458</u>	<u>3.0</u>
Tax charge at the effective rate	<u><b>20,791</b></u>	<u><b>15.2</b></u>	<u>27,151</u>	<u>23.8</u>

\* According to *Notice of the Ministry of Finance and the State Administration of Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation)* promulgated on 20 November 2008, and *Supplementary Notice of the Ministry of Finance and the State Administration of Taxation on the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax* issued on 11 May 2011, the income derived from the prescribed scope of preliminarily-processed agricultural products can be exempted from corporate income tax. During the years ended 31 December 2021 and 2022, Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd, had such income derived from preliminarily-processed agricultural products which was not subject to corporate income tax.

## 7. DIVIDENDS

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Interim – Nil (2021: RMB1.6 cent) per ordinary share	<u>–</u>	<u>35,016</u>

The board of directors did not recommend proposing final dividend for the year ended 31 December 2022 (2021: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 RMB'000	2021 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>116,462</u>	<u>86,531</u>
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue	2,188,514,000	2,188,514,000
Weighted average number of shares held for the share award scheme	<u>(19,096,668)</u>	<u>–</u>
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u>2,169,417,332</u>	<u>2,188,514,000</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	–
Share award	<u>8,366,227</u>	<u>–</u>
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u>2,177,783,559</u>	<u>2,188,514,000</u>

The share option had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share for the year ended 31 December 2022 and 2021.

## 9. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	195,685	174,008
Bills receivable	5,183	7,356
Impairment	<u>(9,285)</u>	<u>(4,773)</u>
	<u><b>191,583</b></u>	<u><b>176,591</b></u>

The Group's trading terms with its sales channels are mainly on credit. The credit period is generally one month, extending up to three months for major sales channels. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified sales channels, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	185,901	165,817
1 to 2 months	2,956	4,433
2 to 3 months	1,136	895
Over 3 months	<u>1,590</u>	<u>5,446</u>
	<u><b>191,583</b></u>	<u><b>176,591</b></u>

## 10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	62,223	40,834
1 to 2 months	19,612	13,601
2 to 3 months	1,672	1,939
Over 3 months	<u>1,381</u>	<u>3,358</u>
	<u><b>84,888</b></u>	<u><b>59,732</b></u>

The trade payables are non-interest-bearing and are normally settled on 15 to 60 days' terms.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

2022 is a crucial and meaningful year for the development of the Group. While successfully getting rid of the impact of the coronavirus epidemic on the retail and food and beverage industries, the Group truly believes that branding will be the driving force for the development of food industry enterprises, and accordingly that the selection, research and development of products, and the channel planning should all focus on the building and operation of the brand. The Group's operating results in 2022 have also demonstrated the validity of this strategic thinking and its sustainable development capabilities.

As of 31 December 2022, the Group's revenue increased by RMB108.8 million to RMB1,719.1 million, representing a year-on-year increase of 6.8%. Net profit increased by RMB29.9 million to RMB116.5 million, representing a year-on-year increase of 34.6%.

### Brand Building and Operation

With the improvement of domestic living standards and the increasing awareness of health issues, consumers' demand for personalised health awareness grows, while the ever-changing retail market and the needs of Chinese consumers give rise to multiple distribution channels. In view of this, in order to capture the growth opportunities in different market segments, the Group has been developing more targeted products for different consumer segments based on its consistent focus on natural, healthy and additive-free cereals, adopting a multi-brand and omni-channel strategy to capture the diversified demand opportunities of different consumers as well as opportunities in key retail channels. The Group believes that a rich and diverse brand portfolio will enhance our competitive advantage and achieve sustainable long-term development.

### Wugu Mofang (五谷磨房)

A classic national cereal and nutrition brand. With offline counters as the main distribution channel, the brand targets the mature and high-end consumer group, providing Chinese nutritional cereals for the whole family through a more reasonable formula of personalised super nutritional ingredients. The brand is positioned as "Find Wugu Mofang for dietary nutrition" to construct the image of the food store for the whole family and continues to convey the category necessity of "Eat more grains to keep the whole family healthy" to consumers.

## **Black Nutrition (黑之養)**

With black sesame seeds as the representative ingredient, we provide Chinese grain health powder and Chinese health snacks to young and middle-aged consumers mainly through e-commerce platforms and new channels, with a view to energising their healthy lives and keeping them young. The brand contributed a GMV of approximately RMB670.0 million in 2022, representing a year-on-year growth of 63.4%. The main product “Black Nutrition – Walnut Black Bean Sesame Powder” has sold more than 10 million cans and has been selected as one of the “Tmall Million Item (天貓百萬單品)”, “Tmall Global Food Award of Singles’ Day (天貓雙11全球食品巔峰榜)”, “Tmall Best-Selling Food of Singles’ Day (天貓雙11食品年度爆款)” and “Tmall Recommended Super Product of Singles’ Day (天貓推薦雙11超級單品)” for multiple occasions, making it the top best-selling product in the natural powder category on the Internet.

## **Little Genius (小天才)**

With walnuts as its representative ingredient, it has become one of the first choices of healthy snacks for children, mainly through the e-commerce platform in the form of Chinese health snacks to impress young and sophisticated mothers. Launched in the fourth quarter of 2022, the brand has demonstrated encouraging growth potential and prospects by achieving a GMV of RMB20.0 million through precise demographic targeting and accurate product polishing.

Although each of the above brands has a different target consumer group and different main sales channels, the Group has unified the brand image of “good ingredients, no additives and more professional (好食材、無添加、更專業)” while creating and setting up differentiated content for different target consumer groups, and has been communicating with all social/e-commerce channels including Taobao Station (淘寶站), the Red (小紅書), TikTok (抖音) and Weibo (微博) in a variety of content and formats. Based on the different consumption behaviours and preferences of the target consumer groups, the Group has differentiated its content and presentation to promote and build the brand around the core demands of the target consumer groups in order to convey a clearer brand image.

In addition, as a health food brand, we believe that working with professional organisations will help us build a more professional brand image in the minds of our consumers. In this regard, the Group has been actively collaborating with authoritative food organizations, renowned experts in nutrition and health industry, etc. to build a brand moat with professionalism and craftsmanship.

On 20 June 2022, the Group and the Institute of Oilseed Research of the Chinese Academy of Agricultural Sciences, together with more than 20 doctors and experts, jointly established the “Research Institute of Black Sesame for Food and Nutrition (食養黑芝麻研究院)”, and established the “Black Sesame Standard for Black Nutrition”. The first variety of black sesame, “Black Nutrition No.1”, was selected in collaboration with a doctorate in food science and health science experts to jointly compile the Black Book of Nutrition (《營養黑皮書》), a multi-dimensional explanation of black food and its nutritional value.

Moreover, the Group has been actively injecting new voices into its brand communication, cultivating new users and actively communicating the health, convenience and fashionable attributes of the products to consumers through social media platforms such as TikTok and the Red, and increasing the buzz and discussion on the relevant networks through thematic promotions, celebrity, KOL and KOC interactions and other content marketing.

### **Sales Channels**

Over the years, the rapidly changing needs of Chinese consumers have given rise to a wide range of distribution channels. We are fully committed to developing an omni-channel strategy in order to capture the opportunities that multiple channels present.

Currently, the Group’s sales channels are mainly divided into online channels and offline channels. The online channel consists of traditional e-commerce represented by Taobao and social media e-commerce represented by TikTok. For the 12 months ended 31 December 2022, the Group’s online channel revenue share improved by 5.7 percentage points to 42.2% compared to the same period in 2021, recording RMB725.6 million, representing a year-on-year increase of 23.5%.

The offline channel is mainly composed of concessionary counters and new channel business. For the 12 months ended 31 December 2022, the Group recorded revenue of RMB993.5 million from the offline channel, representing a year-on-year decrease of 2.9%.

## Online Channels

With the increasing diversity of e-commerce platforms and the increasing familiarity and frequency of consumers using e-commerce platforms in the wake of the new epidemic, the overall e-commerce industry is growing rapidly. However, as different e-commerce platforms are at different stages of development and have different business models, the Group has developed differentiated marketing strategies for different e-commerce platforms, deepened cooperation with each platform, penetrated into more online channels and conducted precise marketing for different target consumer groups to meet the diversified needs of consumers. As a result, the Group's online channel achieved a total revenue of RMB725.6 million in 2022, representing an increase of 23.5% as compared to the corresponding period last year.

The expansion and cultivation of online channels represented by traditional e-commerce platforms have always been one of the most important sales strategies of the Group. In 2022, the Group continued to build and improve online shopping mall in order to provide consumers with a better experience from visual experience, consumption process to service. As the top one brand in the natural grain powder category on the Tmall platform, we have maintained a long-term good and healthy relationship with the platform. At the same time, we used the brand as the fulcrum to leverage abundant platform resources to promote our products more efficiently. In 2022, we achieved excellent performance in key marketing festivals such as "6.18", "11.11" and "12.12" Festivals, which achieved excellent sales rankings on various e-commerce platforms.

With remarkable results achieved on the traditional e-commerce platform, we acutely captured the opportunities arising from the rapid development of emerging social e-commerce platforms, including TikTok Store and Kuaishou (快手). Through various forms of video/graphics with rich contents, as well as live-stream sales, we utilised the extensive appeal of many well-known artists, key opinion leaders (KOLs) and key opinion consumers (KOCs) to trigger extensive consumer discussion on the "Wugu Mofang (五谷磨房)", "Black Nutrition (黑之養)" and "Little Genius (小天才)" brands and products, to continuously consolidate and deepen the health attributes of our "Grain Nutrition Expert Brand (谷物營養專家品牌)" and enhance the brand's favourability and recognition and increase consumer stickiness.

## Offline Channels

Despite the fact that the entire offline retail trade segment was hit by the resurgence of the COVID-19 epidemic and experienced a difficult year of 2022, the Group remains confident that the offline trade format, which has evolved together with the change of times, will not disappear completely and that the offline channel remains a good window to directly reach out to consumers and learn consumer insights. However, the offline sales channels have also undergone various changes due to the rapidly changing needs and habits of consumers, and the Group has been quick to adjust to these changes in order to capture the historical opportunities of channel changes in a timely manner.

With the accelerating pace of life and the rapid prosperity of electronic shopping and payment platforms, offline supermarkets are becoming increasingly proximate, i.e. the radius of services radiated by supermarkets is shrinking, with smaller stores in the proximity of residential areas, such as community supermarkets and convenience stores, flourishing compared to hyperstores or supermarkets far away from residential areas in the past. In addition, with the rising standard of living, membership-based supermarkets are also developing rapidly. Accordingly, we have been actively developing our new channel business and have been selling shelf goods through both direct-selling and distribution model. This business achieved satisfactory results in 2022, with revenue of RMB179.5 million, representing a significant year-on-year increase of 620.5% and accounting for approximately 10.4% of the Group's revenue.

The development of the concessionary counters business was significantly limited by the ongoing impact of the COVID-19 epidemic. As of 31 December 2022, the Group had 2,012 concessionary nationwide, representing a year-on-year decrease of 18.3%, and recorded revenue of RMB814.0 million, representing a year-on-year decrease of 18.4%.

	<b>For the twelve months ended 31 December 2022</b>	For the twelve months ended 31 December 2021
At the beginning of the year	<b>2,464</b>	3,171
Add: new counters	<b>138</b>	144
Less: close counters	<b>590</b>	851
	<hr/>	<hr/>
The number of direct sales counters	<b><u>2,012</u></b>	<b><u>2,464</u></b>

By leveraging on the traffic gained from our concessionary counters, we used the WeChat platform to assist consumer operations and management, stimulate consumers' desire to buy through different marketing activities, and drive consumers to become the Group's private traffic through multiple incentives to promote O2O and enhance customer stickiness and sales volume.

## **Outlook**

In 2023, with the full liberalization of epidemic prevention measures in China and around the world, the demand in the consumer goods market will improve. We are confident that the Chinese economy and the consumer market will continue to recover as fast-moving consumer goods recovers, consumer sentiment gradually picks up and the consumption environment recovery speeds up during the Chinese Lunar New Year.

The health food market as an area of growing consumer interest will also see more opportunities for growth. As consumer awareness of health continues to grow, health food products for different consumption scenarios will continue to be segmented, and the Group will continue to explore opportunities in different scenarios to unlock market potential with more diverse brands.

In order to better capitalise on the momentum brought about by the brand building and to boost sales, the Group will continue to adhere to the development strategy of "Multi-brand, Omni-channel" to expand the reach of consumers.

## Financial Review

### Revenue

The Group sells its products through an extensive network of offline concessionary counters, Chat member stores and new channel networks as well as online channels, including major e-commerce platforms. The following table sets out details of the Group's revenue by sales channel, each expressed in the absolute amount and as a percentage to its total revenue, for the years indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
<b>Offline channels</b>	<b>993,450</b>	<b>57.8</b>	1,022,877	63.5
Offline concessionary counter	<b>813,962</b>	<b>47.4</b>	997,967	62.0
New channel business	<b>179,488</b>	<b>10.4</b>	24,910	1.5
<b>Online channels</b>	<b>725,624</b>	<b>42.2</b>	587,445	36.5
E-commerce platforms	<b>725,624</b>	<b>42.2</b>	587,445	36.5
<b>Total</b>	<b><u>1,719,074</u></b>	<b><u>100.0</u></b>	<b><u>1,610,322</u></b>	<b><u>100.0</u></b>

For the year ended 31 December 2022, the absolute amount of revenue generated from sales through its offline and online channels both increased as compared to the year ended 30 December 2021, which was attributed to the increase in the revenue generated from online channels mitigated by the decrease in the revenue generated from offline channels.

The decrease in sales through offline channels was mainly attributable to (i) the adoption of a “streamlining + efficiency improvement” strategy for offline concessionary counters, which reduced the number of offline concessionary counters while increasing the average revenue of each offline concessionary counters; and (ii) benefit from the effective implementation of the Group's new channel business development strategy, it resulted in the strong growth of new channel business revenue.

Revenue generated from sales through online channels increased, which was mainly due to (i) the successful promotion of the black sesame expert brand “Black Nutrition (黑之養)”, the star product named “Walnut Black Bean Sesame Powder (核桃黑豆芝麻粉)” and walnuts expert brand “Little Genius (小天才)”; and (ii) the E-commerce team has well operated the traditional E-commerce channels and other social E-commerce platforms including Douyin store, which successfully contributed to the significant increase in revenue generated from online channels.

As a percentage to the total revenue, revenues generated from sales through the offline channels decreased from 63.5% in 2021 to 57.8% in 2022, while revenue generated from sales through the online channels increased from 36.5% in 2021 to 42.2% in 2022.

### ***Cost of Sales, Gross Profit and Gross Profit Margin***

Cost of sales increased by approximately 31.5% from RMB471.9 million for the year ended 31 December 2021 to RMB620.7 million for the year ended 31 December 2022, which was mainly attributable to (i) an increase in sales volume and production volume that led to the increase in raw material cost, packing and other material cost, direct labor cost and manufacturing cost; (ii) a decrease in the changes in inventories of finished foods and work-in-progress; and (iii) an increase in transportation expenses, for transportation expenses related to fulfilling the customer contract, it was recorded under selling and distribution expenses for the year ended 31 December 2021, while it was recorded under cost of sales for the year ended 31 December 2022. Gross profit for the Group decreased from approximately RMB1,138.4 million for the year ended 31 December 2021 to approximately RMB1,098.4 million for the year ended 31 December 2022. The gross profit margin decreased from 70.7% for the year ended 31 December 2021 to 63.9% for the year ended 31 December 2022, it was primarily due to the increase in percentage of revenue derived from online channels, the gross profit margin of products sold through online channels was relative low.

### ***Other Income and Gains***

Other income and gains of the Group increased by RMB4.2 million from approximately RMB12.3 million for the year ended 31 December 2021 to approximately RMB16.5 million for the year ended 31 December 2022, which was mainly attributable to (i) an increase in government grants; and (ii) an increase in bank interest income.

### ***Selling and Distribution Expenses***

The Group's selling and distribution expenses primarily consist of commission expense, labour service expense of salesmen, salary and employee benefit expenses, sales promotion expenses, transportation expenses and others. The selling and distribution expenses decreased from approximately RMB954.4 million for the year ended 31 December 2021 to approximately RMB891.0 million for the year ended 31 December 2022, which was mainly attributable to (i) a decrease in transportation expenses, for transportation expenses related to fulfilling the customer contract, it was recorded under selling and distribution expenses for the period ended 31 December 2021, while it was recorded under cost of sales for the year ended 31 December 2022; (ii) an increase in the advertisement promotion expenses was mainly due to more sales and marketing promotion activities were conducted with online channels for the year ended 31 December 2022; (iii) a decrease in the commission expenses was mainly attributed to the decrease in revenue generated from offline concessionary counters; (iv) a decrease in labor service expenses of salesmen of offline channels due to the decrease in the number of concessionary counters and salesman staffs.

### ***Administrative Expenses***

The Group's administrative expenses primarily comprise salary and employee benefit, other taxes and fees, intermediary service expenses, depreciation and amortisation expense, research and development expenses. The administrative expenses decreased from approximately RMB81.6 million for the year ended 31 December 2021 to approximately RMB79.0 million for the year ended 31 December 2022. The decrease was due to (i) an increase of the salary and employee benefit expenses was mainly due to member marketing department salary and employee benefit expenses was recorded under administrative expenses for the year ended 31 December 2021, while it was recorded under selling and distribution expenses for the year ended 31 December 2022, (ii) an increase of the share option and share award expenses was due to the grant of the share award for the year ended 31 December 2022.

### ***(Impairment of)/reversal of impairment of Financial Assets***

The Group recorded an impairment of on financial assets of approximately RMB6.0 million for the year ended 31 December 2022, while the Group recorded a reversal of impairment losses on financial asset of approximately RMB3.5 million for the year ended 31 December 2021, which was mainly attributable to an increase in overdue trade and bills receivables balances.

### ***Other Expenses***

Other expenses of the Group decreased to approximately RMB1.1 million for the year ended 31 December 2022 from approximately RMB3.7 million for the year ended 31 December 2021 primarily due to a decrease in the loss on disposal of property, plant and equipment.

### ***Finance Costs***

For the year ended 31 December 2022, the Group's finance costs decreased from approximately RMB0.8 million for the year ended 31 December 2021 to approximately RMB0.6 million primarily attributable to a decrease in the interest expense on lease liabilities.

### ***Profit before Tax***

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB113.7 million for the year ended 31 December 2021, while a profit before tax of approximately RMB137.3 million for the year ended 31 December 2022.

### ***Income Tax Expense***

The Group's income tax expense was RMB27.2 million for the year ended 31 December 2021, while the income tax expense was RMB20.8 million for the year ended 31 December 2022, which was mainly due to a decrease in current income tax expense and increase in deferred tax expense. The decrease in the current income tax expense, which was mainly attributed to the decrease in the withholding profit tax paid for the dividend. The increase of the deferred tax expenses was mainly attributed to reversal of recognition of the deferred tax asset as certain of the deferred tax asset cannot be utilized. The Group's effective tax rate for the year was different from the PRC statutory income tax rate of 25%, the difference was mainly attributable to the China's enterprise income tax exemption for income from preliminarily-processed agricultural products, and such waiver is applicable to the Group's certain products.

## ***Profit for the Year***

The Group recorded a profit of approximately RMB86.5 million for the year ended 31 December 2021, while a profit of approximately RMB116.5 million for the year ended 31 December 2022.

## **Financial Resources Review**

### ***Working Capital and Financial Resources***

	<b>As at 31 December 2022 (RMB million)</b>	<b>As at 31 December 2021 (RMB million)</b>
Trade and bills receivables	<b>191.6</b>	176.6
Trade payables	<b>84.9</b>	59.7
Inventories	<b>81.9</b>	81.3
Trade receivables turnover days <sup>(1)</sup>	<b>39</b>	38
Trade payables turnover days <sup>(2)</sup>	<b>43</b>	43
Inventory turnover days <sup>(3)</sup>	<b>48</b>	67

Notes:

- (1) Trade receivables turnover days = 365 days x (average balance of trade and bills receivables at the beginning and at the end of the relevant period)/revenue in the reporting period.
- (2) Trade payables turnover days = 365 days x (average balance of the trade payables at the beginning and at the end of the relevant period)/cost of sales in the reporting period.
- (3) Inventory turnover days = 365 days x (average balance of inventory at the beginning and at the end of the relevant period)/cost of sales in the reporting period.

The increase of trade and bills receivables was primarily attributable to the increase in revenue. The trade receivables turnover days was remained stable at around 39 days for the year ended 31 December 2022.

The increase of trade payables was primarily attributable to an increase in the purchase of raw materials and packaging materials used for production. The trade payables turnover days was remained stable at around 43 days for the year ended 31 December 2022.

The inventories book value was remained stable at around RMB81.9 million for the year ended 31 December 2022. The decrease in inventory turnover days is mainly because the implementation of the rigid inventory control measures.

### ***Liquidity and Financial Resources***

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB781.3 million, representing an increase of approximately 20.9% from RMB646.0 million as at 31 December 2021.

The Group's primary uses of cash were payment for suppliers, daily operating expenses, purchase of items of property, plant and equipment, purchase of financial assets (i.e. wealth management product) at fair value through profit or loss and share repurchase. The Group financed its liquidity requirements through cash flows generated from its operating activities.

As at 31 December 2022, the Group had no interest-bearing borrowings (31 December 2021: nil).

Net cash flows from operating activities were RMB168.5 million in 2022, as compared with net cash flows from operating activities of RMB130.8 million in 2021. Net cash used in investing activities were RMB18.6 million in 2022, as compared with net cash flows used in investing activities of RMB2.1 million in 2021. Net cash flows used in financing activities were RMB25.1 million in 2022, as compared with net cash used in financing activities of RMB41.6 million in 2021.

As at 31 December 2022, the Group had net current asset of RMB839.2 million, as compared with net current asset of RMB709.9 million as at 31 December 2021.

### ***Capital Commitments***

As at 31 December 2022, the Group had contracted but not provided for capital commitments of approximately RMB6.2 million, which were primarily related to the purchase of property, plant and equipment to be used for the construction of new manufacturing facility in Nansha County Guangzhou, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB10.8 million as at 31 December 2021.

### ***Currency Exposure and Management***

The Group operates its business in China and conducts domestic business in RMB. Substantially all of the Group's assets are denominated in RMB, and the Group mainly incurs cost in HK\$ and RMB. The Group is exposed to foreign exchange risk with respect mainly to HK\$ which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of the exchange rate between HK\$ and RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

### ***Contingent Liabilities***

As at 31 December 2022, the Group had no contingent liabilities.

### ***Pledge of Assets***

As at 31 December 2022, the Group's restricted bank deposit of RMB0.6 million were pledged for the land of Nansha (31 December 2021: RMB0.9 million).

### ***Gearing Ratio***

As at 31 December 2022, the Group's gearing ratio (calculated by dividing total debt (including lease liabilities) by total assets as of the end of each year) was approximately 0.7% (31 December 2021: 1.2%).

### ***Employees and Remuneration Policy***

As at 31 December 2022, the Group had 697 employees, as compared with 713 employees as at 31 December 2021. For the year ended 31 December 2022, costs of employees, excluding Directors' emoluments, amounted to a total of RMB156.3 million, representing an increase of approximately 0.3% from RMB155.8 million in 2021. The Group will regularly review its remuneration policy and the benefits granted to its employees with reference to market practice and the performance of individual employees.

The Group's emolument policies of the employees are formulated by the Board with reference to their respective qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for executives of similar position. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company (the "**Remuneration Committee**"), who are authorised by the shareholders of the Company at the annual general meeting (the "**AGM**"), having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the scheme will be set out in the "Directors' Report" section of the annual report of the Company for the year ended 31 December 2022.

## **OTHER INFORMATION**

### **Annual General Meeting**

The AGM will be held on 12 June 2023 (Monday). A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

### **Dividend**

The Directors do not recommend any payment of final dividend for the year ended 31 December 2022.

### **Book Close Periods**

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

- Latest time to lodge transfers documents for registration 4:30 p.m. on 6 June 2023 (Tuesday)
- Closure of register of members 7 June 2023 (Wednesday) to 12 June 2023 (Monday)

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time as stated above.

### **Corporate Governance**

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability. The Company is committed to the view that the Board should include a balanced composition of Executive Directors and Independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Audit Committee, consisting of all three Independent non-executive Directors, namely Mr. ZHANG Senquan (chairman of the Audit Committee), Mr. HU Peng and Mr. OUYANG Liangyi, is responsible for reviewing the Company's corporate governance policies and the Company's compliance with the CG Code and will make relevant recommendations to the Board accordingly.

### **Corporate Social Responsibility & Environmental Matters**

While the Company endeavours to promote business development and strive for greater rewards for its stakeholders, the Group acknowledges its corporate social responsibility to share some burden in building the society where its business has been established and thrived.

The Company is subject to environmental protection laws and regulations promulgated by the governments in the jurisdictions in which the Company operates its business. The Company has dedicated a team of personnel to handle the environmental compliance-related matters, and implemented stringent waste treatment procedures in the manufacturing facilities.

### **Purchase, Sale and Redemption of Shares**

During 2022, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any listed securities of the Company, except that the trustee of the share award scheme which the Company adopted pursuant to a resolution passed by the Board on 28 March 2022 (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 39,848,000 shares of the Company at a total consideration of approximately HK\$19.9 million (equivalent to approximately RMB17.8 million).

## Sufficiency of Public Float

The Company has maintained a sufficient public float from the 1 January 2022 and up to 31 December 2022.

## Events after the Reporting Period

There was no other significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors since 31 December 2022.

## Use of Proceeds from the Listing

The net proceeds will be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 November 2018. During the year ended 31 December 2022, the breakdown of the intended use and the amount utilised as at 31 December 2022 were as follows:

	Budget (HK\$ million)	Accumulated amount utilised as at 31 December 2021 (HK\$ million)	Amount utilised during the year of 2022 (HK\$ million)	Remaining balance as at 31 December 2022 (HK\$ million)	Expected timeline for unutilised Net Proceeds
To further enhance the integrated distribution platform and optimise our channel mix	222.9	222.9	–	–	N/A
– To expand the online presence through further developing the technology infrastructure	22.3	22.3	–	–	N/A
– To upgrade certain existing concessionary counters into integrated health food stores in supermarkets	22.3	22.3	–	–	N/A
– To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees	44.6	44.6	–	–	N/A
– To expand into and introduce our existing and/or new products at various high frequency “on-the-go” consumption channels	133.7	133.7	–	–	N/A
To construct the new Nansha Manufacturing Facility in Guangzhou, Guangdong Province and the procurement of machinery and equipment for this planned processing facility	382.1	275.7	11.3	95.1	By end of 2024
To use for general corporate purposes	31.8	31.8	–	–	N/A
<b>Total</b>	<b>636.8</b>	<b>530.2</b>	<b>11.3</b>	<b>95.1</b>	

Currently, the Group holds the unutilised net proceeds as deposit with creditworthy banks with no recent history of default.

### **Model Code for Securities Transactions by Directors**

Since the listing of the Company on the Main Board of the Stock Exchange, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. All Directors have confirmed that they complied with the provisions of the Model Code during the year ended 31 December 2022.

### **Audit Committee**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely ZHANG Senquan, HU Peng and OUYANG Liangyi, all of which are our independent non-executive Directors. ZHANG Senquan has been appointed as the Chairman of the Audit Committee. The annual results for the year ended 31 December 2022 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

### **Review of Preliminary Announcement**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company’s auditors to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

## **Appreciation**

The chairman of the Group would like to take this opportunity to thank her fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

## **Publication of Financial Results and Annual Report**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.szwgmf.com>). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board  
**Natural Food International Holding Limited**  
**GUI Changqing**  
*Chairman*

Hong Kong, 28 March 2023

*As at the date of this announcement, the executive Directors are Ms. GUI Changqing and Mr. ZHANG Zejun; the non-executive Director are Ms. TSE Cheung On Anne and Mr. WANG Duo; and the independent non-executive Directors are Mr. ZHANG Senquan, Mr. HU Peng and Mr. OUYANG Liangyi.*