五谷磨房

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 2018

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 2018, together with the comparative figures for the year ended 31 December 2017 as below.

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2018 RMB'000	2017 RMB'000	Year-on-year Change Increase/ (Decrease)
Revenue	1,818,066	1,576,145	15.4%
Gross profit	1,390,668	1,201,820	15.7%
Profit before tax	127,633	202,115	(36.9%)
Adjusted net profit	213,001	188,461	13.0%
Profit for the year attributable to owners of the Company	105,239	185,699	(43.3%)
Earnings per share (expressed in RMB)			
Basis	0.06	0.13	(53.8%)
Diluted	0.06	0.10	(40.0%)

Note:

Adjusted net profit represents profit for the year before loss on fair value changes of convertible and redeemable preferred shares and listing expenses. Adjusted net profit is not a standard measure under HKFRSs. To supplement the Group's consolidated financial statements which are presented in accordance with HKFRS, the Group has presented adjusted net profit as an additional measure to evaluate the financial performance of the Group by considering the impact of certain items that the Group believes is frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry that the Group operates and by eliminating the impact of certain unusual and non-recurring item that the Group does not consider indicative of the performance of the Group's business.

Proposed final divided of RMB0.02 per share (equirment to HK$0.02 per share), amounting to approximately a total of RMB44,420,000 for the year ended 31 December 2018, which represented approximately 42.2% of the Group's net profit for the year ended 31 December 2018 and 20.9% of the adjusted net profit.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	4	**1,818,066**	1,576,145
Cost of sales		**(427,398)**	(374,325)
Gross profit		**1,390,668**	1,201,820
Other income and gains	4	**21,970**	15,624
Selling and distribution expenses		**(1,070,944)**	(926,094)
Administrative expenses		**(133,161)**	(85,603)
Impairment losses on financial assets		**(3,233)**	(344)
Other expenses		**(1,525)**	(876)
Finance costs		**(436)**	(216)
Loss on fair value changes of convertible and redeemable preferred shares		**(75,706)**	(2,196)
PROFIT BEFORE TAX	5	**127,633**	202,115
Income tax expense	6	**(22,394)**	(16,416)
PROFIT FOR THE YEAR		**105,239**	185,699
Attributable to:			
Owners of the parent		**105,239**	185,699
Non-controlling interests		**—**	—
		105,239	185,699
Earnings per share (expressed in RMB)	8		
Basic		**0.06**	0.13
Diluted		**0.06**	0.10

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**105,239**	185,699
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,788)**	13,493
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(16,932)**	(13,345)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**80,519**	185,847
Attributable to:		
Owners of the parent	**80,519**	185,847
Non-controlling interests	**—**	—
	80,519	185,847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**212,646**	135,748
Prepaid land lease payments		**36,640**	37,500
Intangible assets		**1,543**	1,717
Deferred tax assets		**18,448**	21,747
Total non-current assets		**269,277**	196,712
CURRENT ASSETS			
Inventories		**122,286**	81,647
Trade and bills receivables	9	**239,602**	178,462
Available-for-sale investments		—	85,000
Financial assets at fair value through profit or loss		**71,400**	—
Prepayments, other receivables and other assets		**59,423**	85,901
Amounts due from related parties		**9,375**	13,440
Time deposits		**25,000**	—
Cash and cash equivalents		**604,913**	227,119
Total current assets		**1,131,999**	671,569
CURRENT LIABILITIES			
Trade payables	10	**72,121**	72,319
Interest-bearing borrowing		**70,096**	—
Contract liabilities		**16,669**	20,623
Other payables and accruals		**137,357**	116,083
Amounts due to related parties		—	35,495
Amounts due to directors		—	2,341
Convertible and redeemable preferred shares		—	222,287
Dividend payable		—	7,433
Tax payable		**27,570**	17,768
Total current liabilities		**323,813**	494,349
NET CURRENT ASSETS		**808,186**	177,220
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,077,463**	373,932

	2018	2017
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Deferred income	**277**	466
Deferred tax liabilities	**4,361**	16,390
Total non-current liabilities	**4,638**	16,856
Net assets	**1,072,825**	357,076
EQUITY		
Equity attributable to owners of the parent		
Share capital	**149**	106
Reserves	**1,072,676**	356,970
Non-controlling interests	**—**	—
Total equity	**1,072,825**	357,076

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Natural Food International Holding Limited (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, Ugland 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 ("HK$") 10,000	100%	-	Investment holding
Gold Parsons International Limited ("Gold Parsons")	BVI, 16 December 2009	United States dollar ("USD") 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

Name	Place and date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Guangxi Guiping Jingu Agricultural Development Co., Ltd.	PRC, 1 August 2013	RMB4,000,000	-	100%	Manufacture and sale of natural health food
Natural Food (Guangzhou) Co., Ltd. #	PRC, 16 March 2016	HK$135,000,000	-	100%	Manufacture and sale of natural health food
Fuya Food 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

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

2. BASIS OF PREPARATION

The financial statements has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. HKFRS 15 Revenue from Contracts with Customers, together with the relevant transitional provisions, have been early adopted by the Group.

The financial statements has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, available-for-sale investments which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

These standards have had no significant effect on the financial statements of the Group, except for the following:

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

Financial assets

	31 December 2017 originally stated			1 January 2018 as restated	
	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000	Reclassification and remeasurement upon the adoption of HKFRS 9 RMB'000	Financial assetsat fair value through profit or loss RMB'000	Amortised cost RMB'000
Trade and bills receivables	—	178,462	(2,343)	—	176,119
Financial assets included in prepayments, , other receivables and other assets	—	53,651	—	—	53,651
Amounts due from related parties	—	13,440	—	—	13,440
Cash and cash equivalents	—	227,119	—	—	227,119
Financial assets at fair value through profit or loss	—	—	85,000	85,000	—
Available-for-sale investments	85,000	—	(85,000)	—	—
	85,000	472,672	(2,343)	85,000	470,329

Financial liabilities

The Group did not reclassify any financial liabilities on 1 January 2018.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under HKFRS 9 at 1 January 2018 RMB'000
Trade receivables	484	2,343	2,827

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Retained profits RMB'000
At 1 January 2018 (originally stated)	49,077
(Recognition of expected credit losses for trade receivables under HKFRS 9	(2,343)
Deferred tax in relation to the above	586
At 1 January 2018 (restated)	47,320

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 2017 and 2018.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of goods	**1,818,066**	1,576,145
Timing of revenue recognitions		
Goods transferred at a point in time	**1,818,066**	1,576,145

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Other income and gains		
Government grants*	**9,400**	3,659
Other interest income	**1,499**	2,999
Bank interest income	**1,206**	4,252
Interest income from loans to related parties	**63**	150
Income from available-for-sale investments	**—**	3,653
Income from financial assets at fair value through profit or loss	**4,868**	—
Commission income from provision of a sales platform	**4,211**	—
Others	**723**	911
	21,970	15,624

* 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):

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of inventories sold	**427,398**	374,325
Depreciation of property, plant and equipment	**25,124**	22,321
Minimum lease payments under operating leases	**10,641**	8,654
Research and development costs*	**7,243**	5,670
Amortisation of prepaid land lease payments	**860**	860
Amortisation of intangible assets	**660**	781
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**165,983**	136,894
Pension scheme contributions	**24,951**	29,126
Auditors' remuneration	**1,577**	43
Listing expenses	**32,056**	566
Impairment of trade receivables**	**3,233**	344
Loss on disposal of items of property, plant and equipment	**893**	443
Loss on fair value changes of convertible and redeemable preferred shares	**75,706**	2,196
Finance costs	**436**	216
Bank interest income	**(1,206)**	(4,252)

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

** Impairment of trade receivables is included in "Impairment losses on financial assets" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSE

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 is not subject to any income tax in the British Virgin Islands and the Cayman Islands during the years ended 31 December 2017 and 2018.

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 2017 and 2018.

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 2017 and 2018 was 25% on their taxable profits.

During the years ended 31 December 2017 and 2018, 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 2017 and 2018 are analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current – PRC		
Charge for the year	**24,058**	23,523
Deferred	**(1,664)**	(7,107)
Total tax charge for the year	**22,394**	16,416

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country 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:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Profit before tax	**127,633**		202,115	
Tax at the applicable statutory rate in each jurisdiction	**60,439**	**47.4**	51,300	25.4
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**2,221**	**1.7**	3,500	1.7
Income not subject to tax *	**(42,601)**	**(33.4)**	(42,727)	(21.2)
Expenses not deductible for tax	**2,335**	**1.8**	4,473	2.2
Tax losses utilised from previous periods	**—**	**—**	(274)	(0.1)
Tax losses not recognised	**—**	**—**	144	0.1
Tax charge at the effective rate	**22,394**	**17.5**	16,416	8.1

* 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 2017 and 2018, 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. DIVIDEND

The special dividend during the year ended 31 December 2017 represented dividend declared by the Company at HK$4,000 per share on 10 November 2017. HK$ 63,108,000 was paid on 28 December 2017 and HK$8,892,000 was paid on 23 January 2018.

The special dividend during the year ended 31 December 2018 represented dividend declared by the Company at HK$15,000 per share on 14 June 2018. HK$270,000,000 was paid on 10 December 2018.

The board has recommended the payment of a final dividend of RMB0.02 (equivalent to HK$0.02) per ordinary share for the year ended 31 December 2018, representing a total payment of approximately RMB44,420,000. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share are 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 years ended 31 December 2017 and 2018.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect fair value changes of convertible and redeemable preferred shares. 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 Group had no potentially dilutive ordinary shares in issue as at 31 December 2018.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**105,239**	185,699
Adjustment:		
Fair value changes of convertible and redeemable preferred shares	**75,706**	2,196
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation	**180,945**	187,895

	Year ended 31 December	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**1,624,552,877**	1,404,300,000
Effect of dilution – weighted average number of ordinary shares: convertible and redeemable preferred shares	**197,362,192**	395,700,000
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**1,821,915,069***	1,800,000,000

On 12 December 2018, pursuant to the shareholders' resolution, each existing issued and unissued share of USD1 each in the share capital of the Company were subdivided into 100,000 shares of USD0.00001 each. Following the share subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2018 and 2017 has been retrospectively adjusted.

* Because the diluted earnings per share amount is increased when taking convertible and redeemable preferred shares into account, the convertible and redeemable preferred shares had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2018 and were ignored in the calculation of diluted earnings per share.

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**241,690**	177,496
Bills receivable	**3,972**	1,450
Impairment	**(6,060)**	(484)
	239,602	178,462

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:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 month	**186,513**	146,013
1 to 2 months	**22,839**	18,101
2 to 3 months	**12,815**	5,625
Over 3 months	**17,435**	8,723
	239,602	178,462

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**484**	140
Effect on adoption of HKFRS 9	**2,343**	—
Impairment losses recognised	**3,233**	344
At end of year	**6,060**	484

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Neither past due nor impaired	**197,697**	136,757
Less than 1 month past due	**15,387**	11,052
1 to 3 months past due	**18,844**	26,103
More than 3 months past due	**7,674**	4,550
	239,602	178,462

Trade receivables that were neither past due nor impaired relate to a large number of diversified sales channels for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of sales channels that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

From 1 January 2018, the Group has applied the simplified approach to provide impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2018, the Group estimated that the expected loss rate for bills receivables is minimal and the expected loss rate for the trade receivables is determined according to provision matrix as follows:

	Neither past due nor impaired	Less than 1month past due	1 to 2 months past due	2 to 3 months past due	More than 3 months past due	Total
31 December 2018						
Trade receivables (RMB'000)	193,918	15,542	12,500	6,941	12,789	241,690
Expected credit loss rate	0.1%	1.0%	2.0%	5.0%	40.0%	
Expected credit losses (RMB'000)	193	155	250	347	5,115	6,060

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:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 month	**62,491**	65,869
1 to 2 months	**6,081**	3,766
2 to 3 months	**2,057**	1,126
Over 3 months	**1,492**	1,558
	72,121	72,319

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Overview

The Group is a well-recognised and the second largest natural health food company in China as measured by retail sales value in 2017, according to a Frost & Sullivan report. The year of 2018 was a crucial year to the business development of the Group. The Group had made a great effort and taken numerous initiatives in ensuring the success of the completion of the Company's public offering and the listing of its shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 December 2018 (the "**Listing Date**") while continued to expand its business and dedicate to build China's most valuable natural health food brand. The Listing represents a significant milestone in the development of the Group. Becoming a listed company enables the Group to achieve further business advancement which not only strengthens its capital base, but also enhances its corporate image and brand recognition.

In 2018, the Group continued its efforts to achieve satisfactory revenue target. Revenue from the sales of the Group's products increased by approximately 15.4% from RMB1,576.1 million in 2017 to RMB1,818.1 million in 2018, primarily attributable to (i) an increase in revenue generated from the online channels, as a result of the increased marketing expenditure on e-commerce platforms (including the active participation in the platforms' promotional events) and increased resources devoted to the self-operated WeChat member store and (ii) an increase in sales volume attributable to the growing popularity of the Group's products.

Products

Leveraging its research and development capabilities and market leading position to grow its business and broaden its customer base, the Group has expanded its product offerings and launched 42 popular natural healthy food products, including "Six Precise Formula-based Powders (精准六方)" that cater to specific needs of different consumer groups, such as pregnant women, the elderly and teenagers. In observation of increasing health consciousness of the customers and the rapid growing natural health food market, in September 2018, the Group started to offer certain combination of products in smaller packages at lower prices in order to attract new customers who may be interested in the Group's natural health food products, which the Company anticipates will broaden the reach of its products and further expand its customer base. The increase in product iterations has led to a rapid increase in the proportion of new product revenue contribution. In 2018, revenue generated from the sales of new products contributed to approximately 19.7%, 27.9% and 31.6% of the revenue by different sales channels, namely, offline channels, E-commerce platforms and WeChat member store, respectively. As a result, the Group had attracted more than 20.5 million registered members as at 31 December 2018.

Over the course of more than 10 years, the Group has built an extensive sales network across China, including multiple offline and online sales channels. As at 31 December 2018, the distribution platform consisted of (i) an offline network of 3,895 concessionary counters in supermarkets in 461 cities across China, representing a year-on-year growth of 5.6% in terms of number of concessionary counters in supermarkets, and (ii) online channels, including major e-commerce platforms, such as Tmall, JD.com, Vipshop.com and social media platform, namely, the WeChat member stores. The following map shows the geographic distribution of the concessionary counters across China as at 31 December 2018:

Offline Sales Network Expansion

The Group's offline channels currently comprise concessionary counters in supermarkets. In 2018, as a result of the Group's proactive adjustment of its business strategies and evaluation of the business operations and performance of the existing concessionary counters, the Group newly opened 851 concessionary counters and closed 646 concessionary counters.

The table below sets forth the total number of the concessionary counters, the number of newly opened counters and closed counters for the year indicated:

	Year ended 31 December	
	2018	**2017**
At the beginning of the year	**3,690**	2,969
Add: newly opened counters	**851**	1,011
Less: closed counters	**646**	290
Total concessionary counters	**3,895**	**3,690**

The table below sets forth the breakdown of number of concessionary counters within each sales region, each expressed as an absolute amount and as a percentage of the total number of concessionary counters, for the year ended 31 December 2017 and 2018 respectively:

	As at 31 December			
	2018		2017	
		%		%
Eastern China [(1)]	**1,226**	**31.5%**	1,135	30.8%
Southern China [(2)]	**826**	**21.2%**	817	22.1%
Northern China [(3)]	**806**	**20.7%**	820	22.2%
Southwest China [(4)]	**634**	**16.3%**	564	15.3%
Northwest China [(5)]	**403**	**10.3%**	354	9.6%
Total number of counters	**3,895**	**100%**	3,690	100.0%

Notes:

(1) Eastern China refers to Anhui, Jiangsu, Zhejiang, Henan, Hubei, Hunan and Jiangxi Provinces and Shanghai.

(2) Southern China refers to Fujian, Guangdong, Guangxi and Hainan Provinces.

(3) Northern China refers to Heilongjiang, Jilin, Liaoning, Hebel and Shandong Provinces and Beijing and Tianjin.

(4) Southwest China refers to Guizhou, Sichuan and Yunan Provinces and Chongqing.

(5) Northwest China refers to Gansu, Ningxia, Qinghai, Shanxi and Shaanxi Provinces and Inner Mongolia and Xinjiang Autonomous Regions.

In July 2018, the Group has upgraded approximately 250 existing concessionary counters to a new type of integrated health food stores, which are designed to sell selected health food products. The upgrade of the concessionary counters helped further diversify the product offerings, improve the in-store consumer experience and satisfy additional demands from customers, which in turn strategically improved the sales revenue and profitability of the Group.

The Group launched its "sales partnership programme" in September 2018 in certain concessionary counters, which is in expectation to provide further incentives to the sales personnel and in turn increase its sales revenue.

Online Platforms

The Group continued to expand its online presence, and had experience a significant growth in 2018. Revenue generated from online channels, including both e-commerce platforms and WeChat member stores, represented an increase in revenue of approximately 66.4% and 58.4%, respectively, as compared with the year ended 31 December 2017.

As the Group's first online platform, Tmall flagship store remained a significant revenue contributor to the Group for the year ended 31 December 2018, where the Group recorded revenue from the Tmall flagship store of RMB173.0 million, representing an increase of 60.2% as compared with the year ended 31 December 2017. In 2018, the Group offered 46 SKUs on the Tmall flagship store. The Group has achieved the largest GMV for Alibaba's Singles' Day (雙十一) promotion among instant mixture products in 2018.

The Group also continued to increase the resources devoted to its self-operated WeChat member store through enhancing the membership services and interactions with its fans through its WeChat member store to further promote customer loyalty and encourage customers to make more purchases. As at 31 December 2018, the Group had approximately seven million followers on its WeChat official account. In 2018, the Group had an overall 33,813,345 readership of articles published to its WeChat official account, with 197 articles published.

Production Capacity

In view of the increasing demand of natural food in China and the overloaded capacity of its production facilities, in March 2018, the Group commenced construction of the first phase of its new manufacturing facility in Nansha County, Guangzhou, China for a manufacturing facility for various kinds of products. The new production facility has a total gross floor of approximately 60,000 square metres. After the completion of the new manufacturing facility, the Group's estimated maximum production capacity will increase to 40,000 tons per year.

Research and Development

In the area of research and development, the Group continued to follow the market-oriented approach and is currently in the process of broadening its product offerings to include grain-based meal replacements, grain-based health snacks and grain-related health supplements. In addition to its in-house product development efforts, the Group continued to pursue cooperation with selected universities and research institutions to enhance its capability for innovation. In particular. the Group jointly launched "Wugu Mofang Grain Nutrition Research Centre" (五谷磨房穀物營養研究中心) with Chinese Nutrition Society (中國營養學會) in 2018 to conduct further research on nutirents of natural grains. As at 31 December 2018, the Group had completed the development of over 150 new products that are available for mass production.

Outlook

Benefiting from the growing purchasing power and rising health awareness of Chinese consumers, the Group remains full of confidence about its future. The Group will continue to maintain and strengthen its leading market position as a well-recognised natural health food company in China, thus the Group continues to pursue the following strategies:

- Further enhance its integrated distribution platform and optimise its channel mix;

- Continue to expand and diversify its product portfolio while upholding its core values of "Naturally Made, No Additives Needed";

- Further strengthen its brand equity to increase market share;

- Further enhance operational efficiency and optimise technology infrastructure; and

- Recruit, train and incentivise talent.

Financial Review

Revenue

The Group sells its products through an extensive network of offline concessionary counters as well as online channels, including major e-commerce platforms and self-operated WeChat member store. The following table sets out a breakdown 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 indicate:

	For the year ended 31 December			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Offline channels	**1,478,666**	**81.3**	1,369,163	86.9
Online channels	**339,400**	**18.7**	206,982	13.1
E-commerce platforms	**239,191**	**13.2**	143,715	9.1
WeChat member store	**100,209**	**5.5**	63,267	4.0
Total	**1,818,066**	**100.0**	1,576,145	100.0

For the year ended 31 December 2018, absolute amounts of revenue generated from sales through its offline and online channels continued to increase as compared to the year ended 31 December 2017. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased from 86.9% in 2017 to 81.3% in 2018, while revenue generated from sales through online channels increased from 13.1% in 2017 to 18.7% in 2018.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 14.2% from RMB374.3 million for the year ended 31 December 2017 to RMB427.4 million for the year ended 31 December 2018. which was mainly attributable to (i) an increase in raw material costs primarily due to the increases in the procurement price of the raw materials, (ii) an increase in packaging material costs primarily due to the increases in the online sales where additional packaging materials were applied as compared with the offline sales, and (iii) an increase in direct labour cost primarily due to an increase in the sales volume in line with the business growth. Gross profit for the Group increased from approximately RMB1,201.8 million for the year ended 31 December 2017 to approximately RMB1,390.7 million for the year ended 31 December 2018. The gross profit margin remained stable at 76.3% and 76.5% for the year ended 31 December 2017 and 2018.

Other Income and Gains

Other income and gains of the Group increased by RMB6.4 million from approximately RMB15.6 million for the year ended 31 December 2017 to approximately RMB22.0 million for the year ended 31 December 2018, which was mainly attributable to the increase in government grant of approximately RMB5.7 million.

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 increased from approximately RMB926.1 million for the year ended 31 December 2017 to approximately RMB1,070.9 million for the year ended 31 December 2018, which was mainly attributable to (i) an increase in commission expenses primarily due to the increases in the sales volume and (ii) an increase in labour service expense of salesmen primarily due to the expansion of the Group's sales network, which lead to an increase in the number of sales personnel as well as the increased salary increment.

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, other taxes and fees, office expenses, intermediary service fee, travel and communication expense, depreciation and amortisation, listing expenses and others. The administrative expenses increased from approximately RMB85.6 million for the year ended 31 December 2017 to approximately RMB133.2 million for the year ended 31 December 2018. The increase was mainly due to (i) the expenses incurred in connection with the Global Offering, including intermediary service fee and the Listing expenses and (ii) an increase in salary and employee benefit expenses as a result of an increased in the number of administrative staff in line with the business growth.

Impairment Losses on Financial Assets

Impairment loss on financial assets increased to approximately RMB3.2 million for the year ended 31 December 2018 from approximately RMB0.3 million for the year ended 31 December 2017, which was mainly attributable to the adoption of HKFRS 9.

Other Expenses

Other expenses of the Group increased to approximately RMB1.5 million for the year ended 31 December 2018 from approximately RMB0.9 million for the year ended 31 December 2017 primarily due to the increase in the loss on disposal of property, plant and equipment.

Finance Costs

For the year ended 31 December 2018, the Group's finance costs increased from approximately RMB0.2 million for the year ended 31 December 2017 to approximately RMB0.4 million primarily due to the increase on interest-bearing borrowing.

Loss on Fair Value Changes of Convertible and Redeemable Preferred Shares

In 2017 and 2018, the Group's loss on fair value changes of convertible and redeemable preferred shares amounted to RMB2.2 million and RMB75.7 million, respectively, such increase of which was due to the recognition of loss on fair value changes of convertible and redeemable preferred shares (which was calculated primarily with reference to the offer price of the Company's shares as at Listing Date).

Profit before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 36.9% from approximately RMB202.1 million for the year ended 31 December 2017 to approximately RMB127.6 million for the year ended 31 December 2018.

Income Tax Expense

The Group's income tax expense increased by 36.4% from RMB16.4 million for the year ended 31 December 2017 to RMB22.4 million for the year ended 31 December 2018, primarily due to the listing expense incurred and the loss on fair value changes of convertible and redeemable preferred shares. For the same reason, the Group's effective tax rate increased from 8.1% for the year ended 31 December 2017 to 17.5% for the year ended 31 December 2018. The Group's effective tax rates for both years were lower than the PRC statutory income tax rate of 25%. This lower effective tax rate is attributable to China's enterprise income tax exemption for income from preliminarily-processed agricultural products, which are applicable to certain of the Group's products.

Profit for the Year

Profit of the Group for the year ended 31 December 2018 decreased by 43.3% from approximately RMB185.7 million for the year ended 31 December 2017 to approximately RMB105.2 million.

Adjusted Net Profit

The adjusted net profit represents profit for the year excluding the effects of the expenses incurred in connection with the Global Offering of approximately RMB32.1 million (2017: RMB0.6 million), and loss on the fair value changes of convertible and redeemable preferred shares of approximately RMB75.7 million for the year ended 31 December 2018 (2017: RMB2.2 million). The term adjusted net profit is not defined under HKFRSs. As a non-HKFRS measure, it is presented because the management believes that adjusted net profit helps identify underlying trends in the Group's business that could otherwise be distorted by the effect of the expenses that it includes in income from operations and net profit through eliminating potential impacts of certain unusual and non-recurring items that the management does not consider to be indicative of its operating performance. The Company believes that adjusted net profit provides useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater visibility with respect to key metrics used by the management in its financial and operational decision-making.

As a measure of the operating performance, the most directly comparable HKFRSs measure to adjusted net profit is profit for the year. The following table reconciles profit for the year under HKFRSs to adjusted net profit for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**105,239**	185,699
Adjustments for:		
Loss on fair value changes of convertible and redeemable preferred shares	**75,706**	2,196
Expenses incurred in connection with the Global Offering	**32,056**	566
Adjusted net profit	**213,001**	188,461

Adjusted net profit of the Group for the year ended 31 December 2018 increased by 13.0% from approximately RMB188.5 million for the year ended 31 December 2017 to approximately RMB213.0 million.

Financial Resources Review

Working Capital and Financial Resources

	As at 31 December 2018 (RMB million)	As at 31 December 2017 (RMB million)
Trade and bills receivables	**239.6**	178.5
Trade payables	**72.1**	72.3
Inventories	**122.3**	81.6
Trade receivables turnover days[(1)]	**42**	36
Trade payables turnover days[(2)]	**62**	59
Inventory turnover days[(3)]	**87**	75

Notes:

(1) Trade receivables turnover days = 365 days x (average balance of trade 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 an increase in the sales of the products, partially offset by an increase in provision for impairment of trade and bills receivables amounted to approximately RMB5.6 million,which was attributable to the adoption of HKFRS 9. The increase of trade receivables turnover days were mainly attributable to an extended credit period provided by the Group to certain customers.

The decrease of trade payables was primarily attributable to the early settlement of trade payables made by the Group to certain suppliers immediate before 31 December 2018. The trade payables turnover days remained stable.

The increase of inventories was mainly attributable to an increase in finished goods in line with the sales growth as a result of the expanded sales network and in anticipation of the increasing sales volume during the festive season. The increase in inventory turnover days is primarily attributable to the additional finished goods kept by the Group for the festive season in early 2019..

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB604.9 million, representing an increase of approximately 166.3% from RMB227.1 million as at 31 December 2017.

The Group's primary uses of cash were payment for suppliers and funding of working capital, daily operating expenses and construction of the new manufacturing facility in Nansha County, Guangzhou. The Group financed its liquidity requirements through cash flows generated from its operating activities and financing activities.

As at 31 December 2018, the Group's interest-bearing borrowing was approximately RMB70.1 million (31 December 2017: nil).

Net cash flows from operating activities were RMB133.7 million in 2018, as compared with net cash flows from operating activities of RMB168.8 million in 2017. Net cash used in from investing activities were RMB107.4 million in 2018, as compared with net cash flows from investing activities of RMB34.7 million in 2017. Net cash flows from financing activities were RMB350.8 million in 2018, as compared with net cash used in financing activities of RMB55.3 million in 2017.

As at 31 December 2018, the Group had net current asset of RMB808.2 million, as compared with net current asset of RMB177.2 million as at 31 December 2017.

Capital Commitments

As at 31 December 2018, the Group had contracted but not provided for capital commitments of approximately RMB104.0 million, which were primarily relating to the purchase of intangible assets, property, plant and equipment to be used for the construction of the new manufacturing facility in Nansha County, Guangzhou, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB30.1 million as at 31 December 2017.

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 HK$ 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 2018, the Group had no contingent liabilities.

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets.

Gearing Ratio

As at 31 December 2018, the Group's gearing ratio (calculated by dividing total debt (including amounts due to directors and related parties, interest-bearing borrowing, convertible and redeemable preferred shares and dividend payable) by total assets as of the end of each year) was approximately 5.0% (31 December 2017: 30.8%).

Employees and Remuneration Policy

As at 31 December 2018, the Group had 1,007 employees, as compared with 934 employees as at 31 December 2017. For the year ended 31 December 2018, costs of employees, excluding Directors' emoluments, amounted to a total of RMB190.9 million, representing an increase of approximately 15.0% from RMB166.0 million in 2017. 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 in 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 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 2018.

OTHER INFORMATION

Annual General Meeting

The AGM will be held on 31 May 2019 (Friday). A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Dividend

At the meeting of the Board held on 28 March 2019, the Board has resolved to declare the payment of a final dividend of HK$0.02 per share for the year ended 31 December 2018. Subject to the approval of shareholders of the Company at the AGM, the final dividend will be paid on Friday, 28 June 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 12 June 2019. The record date for determining the entitlement to the proposed final dividend is Wednesday, 12 June 2019.

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 27 May 2019 (Monday)
• Closure of register of members	28 May 2019 (Tuesday) to 31 May 2019 (Friday)

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.

For determining the entitlement of the proposed final dividend, the register of members of the Company will be closed from Friday, 7 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.

Corporate Governance

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and formulate its business strategies and policies as well as to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that the Company has complied with all the provisions set out in the CG Code from the Listing Date and up to 31 December 2018.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

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 Group is subject to environmental protection laws and regulations promulgated by the governments in the jurisdictions in which it operates its business. The Group has implemented stringent waste treatment procedures in its manufacturing facilities, and has procedures in place and designated special staff to treat and dispose of any hazardous waste.

Purchase, Sale and Redemption of Shares

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries from the Listing Date and up to 31 December 2018.

Sufficiency of Public Float

The Company has maintained a sufficient public float from the Listing Date and up to 31 December 2018.

Events after the Reporting Period

For brand marketing, the Group has cooperated with the Forbidden City in China in March 2019 to enhance the brand value and reputation of the Group and further strengthened its brand value to increase market share.

Save as disclosed in this announcement, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors since 31 December 2018.

Use of Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 December 2018 with net proceeds from the Global Offering of approximately HK$636.8 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Global Offering). 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 period between the Listing date and 31 December 2018, the net proceeds from the Listing had not been utilised given the short duration in between the Listing date and the financial year end. 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 on 12 December 2018, 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 from the Listing Date and up to 31 December 2018.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Zhang Senquan, Mr. Hu Peng and Mr. Ouyang Liangyi, the independent non-executive Directors. The chairman of the Audit Committee is Mr. Zhang Senquan. The annual results for the year ended 31 December 2018 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 2018 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 2018 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, 29 March 2019

As at the date of this announcement, the executive Directors are Ms. GUI Changqing and Mr. ZHANG Zejun; the non-executive Director is Mr. NG Benjamin Jin-Ping; and the independent non-executive Directors are Mr. ZHANG Senquan, Mr. HU Peng and Mr. OUYANG Liangyi.