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)

INSIDE INFORMATION
PROFIT WARNING ANNOUNCEMENT

This announcement is made by Natural Food International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "**Directors**") of the Company (the "**Board**") hereby informs the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019 and other information currently available to the Company, as compared to the corresponding period in 2018, the Group is expected to record an increase in net profit of approximately 18% but decreases of approximately 2% and 40% in revenue and adjusted net profit, respectively, for the year ended 31 December, 2019.

Adjusted net profit is defined as profit for the year adjusted by fair value changes of convertible redeemable preferred shares and expenses incurred in connection with the initial public offering.

The expected decrease of adjusted net profit is primarily due to:

(i) The Group adjusted the number of directly operated concessionary counters in the offline sales network. As of 31 December, 2019, the total number of directly operated concessionary counters decreased by approximately 500 as compared to 31 December 2018, which resulted in a decrease in revenue;

(ii) The Group's increasing cost of sales such as production costs and promotional activities (i.e. discount) have led to a decrease in gross profit and gross profit margin;

(iii) Increase in salary incentives and selling and distribution expenses, such as costs for brand building; and

(iv) Increase in the recognition of share-based payment expenses, which was non-cash in nature, of approximately RMB14.5 million for the grant of share options.

Compared with the same period in 2018, the Group expects a continued increase in revenue generated from online channels for the year ended 31 December, 2019. The Board of Directors believes that the strengthening of consumer health awareness may provide positive development opportunities for natural health food industry. The company is planning to accelerate and increase investments in online channels to meet market demands and development opportunities.

The Company is still in the process of finalizing the annual results of the Group for the year ended 31 December 2019. The information contained in this announcement is only based on a preliminary review of the unaudited management accounts of the Group and other information currently available to the Board, which has not been reviewed or audited by the Company's auditors and is subject to possible adjustments arising from further review. The annual results of the Group for the year ended 31 December 2019 may be different to the information referred in this announcement. Further details of the Group's financial results and performance will be disclosed in the Company's announcement of annual results for the year ended 31 December 2019, which is expected to be published by the end of March 2020.

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

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

Hong Kong, 8 March 2020

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