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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 2020

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 2020, together with the comparative figures for the year ended 31 December 2019 as below.

	Year Ended 31 December		Year-on-
	2020	2019	year Change
	RMB'000	RMB'000	Decrease
Revenue	1,438,547	1,784,086	(19%)
Gross profit	1,006,551	1,319,202	(24%)
(Loss)/profit before tax	(53,060)	140,065	(138%)
(Loss)/profit for the year attributable to owners of the Company	(14,452)	126,330	(111%)
(Losses)/earnings per share (expressed in RMB)			
Basis	(0.01)	0.06	(116.7%)
Diluted	(0.01)	0.06	(116.7%)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	1,438,547	1,784,086
Cost of sales		<u>(431,996)</u>	<u>(464,884)</u>
Gross profit		1,006,551	1,319,202
Other income and gains	4	9,918	22,854
Selling and distribution expenses		(967,229)	(1,092,422)
Administrative expenses		(81,020)	(102,905)
Impairment losses on financial assets		(9,595)	(4,590)
Other expenses		(10,713)	(1,259)
Finance costs		<u>(972)</u>	<u>(815)</u>
(LOSS)/PROFIT BEFORE TAX	5	(53,060)	140,065
Income tax credit/(expense)	6	<u>38,608</u>	<u>(13,735)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(14,452)</u>	<u>126,330</u>
Attributable to:			
Owners of the parent		(14,452)	126,330
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(14,452)</u>	<u>126,330</u>

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

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		29,307	(10,286)
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		<u>(39,912)</u>	<u>15,763</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(25,057)</u>	<u>131,807</u>
Attributable to:			
Owners of the parent		(25,057)	131,807
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(25,057)</u>	<u>131,807</u>
 (Losses)/Earnings per share (expressed in RMB)			
Basic	8	<u>(0.01)</u>	<u>0.06</u>
Diluted		<u>(0.01)</u>	<u>0.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		306,099	299,772
Right-of-use assets		54,469	58,611
Intangible assets		598	1,045
Deferred tax assets		65,642	19,958
Total non-current assets		426,808	379,386
CURRENT ASSETS			
Inventories		92,022	113,957
Trade and bills receivables	9	161,934	225,583
Financial assets at fair value through profit or loss		20,750	–
Prepayments, other receivables and other assets		41,422	67,065
Amounts due from a director		–	6
Amounts due from related parties		10,448	10,802
Cash and cash equivalents		564,175	558,048
Restricted bank deposits		557	555
Total current assets		891,308	976,016
CURRENT LIABILITIES			
Trade payables	10	52,618	63,265
Contract liabilities		12,330	10,762
Other payables and accruals		124,212	133,462
Lease liabilities		5,389	5,565
Tax payable		31,251	32,915
Total current liabilities		225,800	245,969
NET CURRENT ASSETS		665,508	730,047
TOTAL ASSETS LESS CURRENT LIABILITIES		1,092,316	1,109,433

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

As at 31 December 2020

	2020	2019
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Deferred income	500	88
Deferred tax liabilities	3,324	3,324
Lease liabilities	13,004	16,180
	<u>16,828</u>	<u>19,592</u>
Total non-current liabilities	16,828	19,592
Net assets	1,075,488	1,089,841
	<u>1,075,488</u>	<u>1,089,841</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	147	147
Treasury shares	–	(6,359)
Other reserves	1,075,341	1,096,053
	<u>1,075,341</u>	<u>1,096,053</u>
Non-controlling interests	–	–
	<u>–</u>	<u>–</u>
Total equity	1,075,488	1,089,841
	<u>1,075,488</u>	<u>1,089,841</u>

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 (“HK\$”)10,000	100%	–	Investment holding
Gold Parsons International Limited	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
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 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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, 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. The 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 2020, no monthly lease payments for the leases of the Group's properties or plant have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 2019 and 2020.

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

	2020 RMB'000	2019 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>1,438,547</u>	<u>1,784,086</u>
	2020 RMB'000	2019 RMB'000
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,438,547</u>	<u>1,784,086</u>

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

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	<u>10,762</u>	<u>16,669</u>
	2020	2019
	RMB'000	RMB'000
<u>Other income and gains</u>		
Government grants*	3,309	10,550
Bank interest income	1,237	2,512
Income from financial assets at fair value through profit or loss	2,648	3,335
Commission income from provision of a sales platform	1,640	5,789
Others	<u>1,084</u>	<u>668</u>
	<u>9,918</u>	<u>22,854</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. (LOSS)/PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	431,996	464,884
Depreciation of property, plant and equipment	30,205	28,873
Depreciation of right-of-use assets	7,501	5,528
Lease payments not included in the measurement of lease liabilities	3,096	6,467
Research and development costs*	3,872	8,485
Amortisation of intangible assets	447	607
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	149,981	168,206
Equity-settled share option expenses	8,554	14,821
Pension scheme contributions	9,926	18,438
Auditor's remuneration	1,840	1,887
Impairment of trade receivables and other receivables**	9,595	4,590
Loss on disposal of items of property, plant and equipment	5,580	335
Finance costs	972	815
Bank interest income	<u>(1,237)</u>	<u>(2,512)</u>

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

** Impairment of trade receivables and other receivables is included in "Impairment losses on financial assets" 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 2019 and 2020.

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 2019 and 2020.

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 2019 and 2020 was 25% on their taxable profits.

During the years ended 31 December 2019 and 2020, 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 2019 and 2020 are analysed as follows:

	2020 RMB'000	2019 RMB'000
Current – PRC		
Charge for the year	7,076	13,061
Deferred	<u>(45,684)</u>	<u>674</u>
Total tax (credit)/charge for the year	<u><u>(38,608)</u></u>	<u><u>13,735</u></u>

7. DIVIDENDS

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2020.

8. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(losses) per share is based on the profit/(loss) 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/(losses) per share amount is based on the profit/(loss) 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/(losses) per share are based on:

	2020 RMB'000	2019 RMB'000
(Losses)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><u>(14,452)</u></u>	<u><u>126,330</u></u>
	2020 RMB'000	2019 RMB'000
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u><u>2,188,514,000</u></u>	<u><u>2,199,559,819</u></u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u><u>2,188,514,000*</u></u>	<u><u>2,199,559,819*</u></u>

* The share options had an anti-dilutive effect on the basic earnings/(losses) per share for the year ended 31 December 2019 and 2020 and were ignored in the calculation of diluted earnings per share.

9. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	165,840	217,049
Bills receivable	4,671	19,184
Impairment	<u>(8,577)</u>	<u>(10,650)</u>
	<u>161,934</u>	<u>225,583</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:

	2020 RMB'000	2019 RMB'000
Within 1 month	149,620	179,945
1 to 2 months	2,053	28,109
2 to 3 months	800	4,796
Over 3 months	<u>9,461</u>	<u>12,733</u>
	<u>161,934</u>	<u>225,583</u>

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

	2020 RMB'000	2019 RMB'000
At beginning of year	10,650	6,060
Impairment losses	6,367	4,590
Amount written off as uncollectible	<u>(8,440)</u>	<u>—</u>
At end of year	<u>8,577</u>	<u>10,650</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:

	2020 RMB'000	2019 RMB'000
Within 1 month	40,285	47,100
1 to 2 months	8,101	11,772
2 to 3 months	2,010	2,567
Over 3 months	<u>2,222</u>	<u>1,826</u>
	<u>52,618</u>	<u>63,265</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The outbreak of COVID-19 pandemic at the beginning of 2020 posed serious disruptions to production and consumption, bringing severe challenges to various industries. As affected by the pandemic and in the face of adverse factors including disruptions to the operation of offline counters and business expansion, the Company endeavoured to accelerate the development of online business to mitigate the impact of the pandemic. The impact of COVID-19 remained though the domestic economy continued to recover steadily as China achieved remarkable results in the prevention and containment of the pandemic. Meanwhile, the ongoing spread of COVID-19 across the world further delayed the global economic recovery. As domestic consumption demand is still on the recovery stage, the offline business was still disrupted and had not recovered to pre-pandemic levels.

In the context of challenges from objective environment, the main business focus of the Group in 2020 was to actively promote the recovery of offline counters and continue to put great efforts in developing our online business. At the same time we improved our capacities and formulated medium- to long-term development strategies for the future. Also, we continued to streamline our organizational structure and sharpen our competitive edges, so as to provide strong internal assurance for our future development.

In view of the above, the operating results of the Group in the second half of 2020 significantly improved as compared with the first half of 2020. The growth rate of revenue recorded a substantial decrease of 29.1% from a year-on-year decrease of 33.5% for the first half of 2020 to a year-on-year decrease of 4.4% for the second half of 2020. Our net profit for the second half of 2020 recorded a turnaround from loss to profit of RMB37.9 million as compared with the first half of 2020. As of 31 December 2020, the Group recorded revenue of RMB1,438.5 million, representing a year-on-year decrease of 19.4%, while our net loss was RMB14.5 million, representing a year-on-year decrease of 111.4%.

Products

In 2020, by focusing on its product strategy, the Group adhered to “consolidating the leading position of cereal nutrition powder as core category while actively expanding new categories”. While committed to our core values of being natural, healthy and additive-free, we continued to upgrade our products, so as to fulfill the demands of consumers for the healthiness, convenience and leisure of products. With respect to product sales, based on the characteristics of consumers of different sales channels, the Group responsively launched various products with cereal nutrition powder and high-end cold-brewing fruit oatmeal as the core categories in different channels.

Cereal Nutrition Powder

The cereal nutrition powder is the core category of the Group which is widely recognized by consumers and the industry. By drawing upon such product category, “Wugu Mofang (五谷磨房)” maintained its leading brand position in the industry for many years. In 2020, we carried out product upgrades as well as research and development of new product offerings with a focus on diet experience and convenience of cereal nutrition powder. During 2020, the Group gradually upgraded the ingredients of various types of cereal nutrition powder, allowing it to be brewed with cold or hot water/beverages while maintaining good taste. It eliminated the inconvenience which such products to be brewed with hot water/beverages while maintaining the rich textures and good tastes of our products. In addition, the Group launched a brand new product named Y10 Prebiotic High-Protein Prepared Cereal Powder (Y10益生元高蛋白沖調穀物粉) (“Y10”) which features balanced nutrition, high-fibre and high-protein with a rich taste. In addition, it caters to the needs of being brewed in cold or hot manner, which maximizes the diet convenience of the product and provides better consumption experience to consumers. The Group also launched Y10 Portable “Y10 Xiaogu Cup (Y10小谷杯)” to provide consumers with a more convenient user experience and expand the product consumption scenarios. Such product is widely welcomed and favoured by consumers soon after launched.

Targeting at customers’ preference for specific ingredients, the Group also aggressively promoted our walnut sesame black bean powder, a star product of the Group. Such product delivered an excellent performance in 2020. It has been elected into various honor lists, such as “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, and has become the top best-selling product in the category of natural grain powder on Taobao.

Looking ahead to 2021, the Group will continue to expand its consumer base of cereal nutrition powder and focus on providing professional cereal nutrition food to consumers while introducing new product offerings and better product experience, to diversify our product lines.

High-end Cold-brewing Fruit Oatmeal

Chinese oatmeal market enjoys a huge potential with rapid development trend in recent years. Notably, the growth of products represented by cold-brewing oatmeal is especially remarkable. Currently, as the landscape of oatmeal market is hardly concentrated, the Group has capitalised on the opportunities to fully penetrate into the market with our high-end brand “Eat a Rainbow (吃個彩虹)” in June 2020 after our years’ product refinement and continuous optimization of sales strategies. Leveraging on the Group’s experience in building oatmeal nutrition products established with years of extensive accumulation and our high quality, we have launched six products with different styles in a progressive and planned manner. By drawing upon our excellent quality, rich nutrition and diversified tastes as well as by our marketing strategies which are in line with consumers’ sentiment of pursuing fashion trends and health, our products has gained overwhelming popularity. The sales volume reached 1.6 million bags within merely half a year, and we ranked the fifth in the “instant oatmeal category on Tmall (天貓沖飲麥片品類)” during the period of Singles’ Day, which was the youngest brand among the top six brands in the list.

Looking forward to 2021, the Group will continue to expand the sales channels of high-end cold-brewing fruit oatmeal to broaden our consumer base while introducing new product types and better product experience, in a bid to diversify our product lines can be enriched.

Other Categories

The Group also provides other healthy grain nutrition food to consumers based on characteristics of different sales channels, including healthy snacks, meal replacements and grain tea beverages, so as to broaden our consumer base and penetrate into more extensive consumption scenarios. The Group pays close attention to the industry development trend to study future development opportunities, aiming at continuing to develop new categories in planned and progressive manner, thereby capitalising on the opportunities for future growth.

Sales Channels

In 2020, in response to the changing operating environment due to the outbreak of the COVID-19 pandemic, as regards our channelling strategies, the Group focused on vigorously promoting the recovery of offline counters and continued to pour efforts in developing our online business. For the twelve months ended 31 December 2020, revenue from offline counters accounted for 66.5% (Corresponding period in 2019: 76.4%), while revenue from online channels accounted for 33.5% (Corresponding period of 2019: 23.6%).

Offline counters

Since the establishment of the Group, we have been selling through on-site milling of cereal nutrition powder by opening counters in a chain of large supermarkets. Over the years, offline counters have become one of the important sales channels of the Group while helping the brand to increase their popularity among consumers, thereby becoming an important channel of face-to-face communication between the Group and consumers.

However, the outbreak of COVID-19 pandemic in 2020 posed severe challenges to offline channels business. Although the operating results of the Group had been gradually improving during the four quarters in 2020, from an overall perspective, the road to overall recovery was not smooth, and sales and consumer traffic as of the end of 2020 were still below pre-pandemic levels. At the same time, the Group regarded efficiency as priority and responded actively. We proactively closed counters with lower efficiency and successively opened high-quality counters with potentials continuously, while improving the operating efficiency of retained high-quality counters through management measures. As of 31 December 2020, the Group had 3,171 concessionary counters nationwide and recorded sales revenue of RMB957.1 million (Corresponding period of 2019: RMB1,362.5 million).

	For the year ended	
	31 December	
	2020	2019
At the beginning of the year	3,399	3,895
Add: newly opened counters	341	462
Less: closed counters	569	958
	<hr/>	<hr/>
Total concessionary counters	3,171	3,399
	<hr/> <hr/>	<hr/> <hr/>

Currently, offline trading business is evolving and hypermarkets also face increased competition. The Group is also required to respond promptly. Looking ahead, the Group will improve the operating efficiency of its concessionary counters by continuously opening high-quality counters with potentials, and we will enhance the consumption experience of consumers at our counters by our professional and dedicated services and establish their long-term satisfaction to our brands, so as to bring into full play the huge value of offline counters as the Group's brand windows.

E-commerce Channels

The e-commerce channels of the Group has maintained a positive growth momentum over the recent years, and the Group manages to maintain good relationship with various e-commerce platforms with its excellent operating capability. The outbreak of COVID-19 in 2020 has given rise to a notable shift of the consumption habits of consumers to online channels. While flexibly leveraging the operating advantages of the Group's e-commerce channels, the Group also expanded its promotion channels on a rational basis and successfully seized the opportunities from the increase in demands for e-commerce consumption. In 2020, the Group formulated specific marketing plans for different festivals and promotional events as before, and recorded remarkable performance during key promotion periods such as "Foodaholic Festival (吃貨節)", "Snack Festival (零食節)", "618" and "Singles' Day (雙十一)". Although the e-commerce channels of the Group recorded stable performance due to the interruptions to work and production caused by the pandemic during the first quarter of 2020, thanks to our continuous efforts from the second quarter to the fourth quarter, we managed to achieve considerable growth. Notably, during "618" and "Singles' Day (雙十一)", the Company was ranked TOP1 brand for Alibaba's Singles' Day promotion among natural grain powder products for four consecutive years. Our high-end fruit oatmeal brand "Eat a Rainbow (吃個彩虹)", though launched for less than six months, outperformed the category of brewed oatmeal and ranked TOP5 in the category of brewed oatmeal for its excellent product quality and effective brand promotion efforts. As of 31 December 2020, our e-commerce channels recorded revenue of RMB481.4 million, representing a year-on-year increase of 14.2%.

BRAND BUILDING

The Group attaches great importance to our brand building and communicates with consumers through our multi-brand strategy. In terms of the ways of brand building, the Group carries out comprehensive content marketing mainly through social media platforms including WeChat, Xiaohongshu (小紅書), Douyin (抖音) and Weibo (微博).

“Wugu Mofang (五谷磨房)”

The cereal nutrition powder, the core category of the Group, is mainly offered under our brand “Wugu Mofang (五谷磨房)”. In 2020, for the purpose of establishing a professional, reliable, young and fashionable brand image of healthy food, the Group cooperated with Dingxiang Doctors (丁香醫生), a renowned platform of healthcare contents and healthcare services in China, so as to offer professional endorsement for our cereal nutrition powder in terms of brand exposure and content distribution. In addition, the Group also cooperated with Gu Gong, a Chinese renowned IP, and many popular bloggers to spread useful information on social media platforms, including health, sports and fitness, with an aim to strengthen customers’ recognition of Wugu Mofang (五谷磨房) and our cereal nutrition powder.

“Eat a Rainbow (吃個彩虹)”

The Group’s high-end cold-brewing fruit oatmeal is mainly offered under our brand “Eat a Rainbow (吃個彩虹)”. In 2020, in order to promptly attract the attention of consumers and grasp the opportunity from the rapid growth of oatmeal industry by cultivation of new brands, the Group appointed Miss Dilraba, a renowned artiste, as the brand ambassador of “Eat a Rainbow (吃個彩虹)”, so as to build a healthy, energetic and fashionable brand image. This news, once announced, has attracted widespread attention from consumers and the industry. The Group announced the endorsement on 3 June 2020. The relevant content had been exposed more than 330 million times on Weibo platform within 24 hours, and related trending topic “Eat a Rainbow by Dilraba (迪麗熱巴吃個彩虹)” ranked among the top 3 topic discussions on Weibo with 880 million hits, over 8 million discussions and 51,000 original contents.

WeChat Platform

The Group also fully leveraged WeChat platforms, including WeChat Official Account, WeChat Member Mall and WeChat Enterprise Account, to manage consumers, in order to enhance consumers’ recognition and stickiness of our brands through continuous ingestion of contents. As at 31 December 2020, the revenue from WeChat Member Mall amounted to RMB67.9 million, representing a year-on-year decrease of 31.8%.

FUTURE PROSPECTS

In 2020, the COVID-19 pandemic posed severe challenges to the economic and social development. With the continuing progression of the pandemic prevention and control in China and the continuous promotion of economic and social development, the market expectations were positive, and China became the only major economy to achieve positive economic growth around the globe. Looking ahead to 2021, although various macro-economic indices have shown continuous improvement, the effects of the pandemic will remain. In particular, the commencement of offline trading and department store operation was disrupted and consumer traffic has not yet returned to the level before the outbreak of the pandemic. In addition, the COVID-19 pandemic fueled the reformation of the entire consumption industry, including the food and beverage sector as well as the retail sector. With regards to channels, retailers raced to increase their investments in online businesses and O2O businesses one after another, so as to cope with the changing consumption habits of consumers. In relation to products, there are increasingly more sub-categories being penetrated, thus a large number of potential products will be launched. Against such background, the Group has contemplated its own current advantages, the existing challenges and the breakthroughs it should seek for. In view of this, the Group has formulated its medium- and long-term development strategy of “consolidated main business, expanded channels and increased categories” to resolutely continue to consolidate the cereal nutrition powder as our core advantageous category and regard offline concessionary counters as our fundamental development focus while acutely seizing and actively expanding new channels and opportunities of new categories, so as to provide continuous impetus for the long-term development of the Company.

Production Capacity

In view of the increasing demand for natural health food in China, the Group commenced the construction of a new manufacturing base in Nansha District, Guangzhou, China in March 2018. The new production base has a gross floor area of 60,000 sq.m.. Upon completion and full operation of the new manufacturing base, it is expected that the maximum production capacity of the Group will be increased to 40,000 tonnes per annum.

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 stores. 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 indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Offline channels	957,129	66.5	1,362,482	76.4
Online channels	481,418	33.5	421,604	23.6
E-commerce platforms	413,487	28.8	321,987	18.0
WeChat member stores	67,931	4.7	99,617	5.6
Total	<u>1,438,547</u>	<u>100.0</u>	<u>1,784,086</u>	<u>100.0</u>

For the year ended 31 December 2020, absolute amounts of revenue generated from sales through its offline and online channels decreased as compared to those in the year ended 31 December 2019, which was attributable to the decrease in the revenue generated from offline channels, partly mitigated by the increase in the revenue generated from online channels. Due to the government guidance on the Covid-19 pandemic prevention and control, residents in China were required to follow the social-distancing policy and self-quarantine policy, resulting in reduced sales through the offline channels. Revenue generated from sales through online channels increased, which was primarily due to the increased demands for online shopping delivery during the year. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased from 76.4% in 2019 to 66.5% in 2020, while revenue generated from sales through online channels increased from 23.6% in 2019 to 33.5% in 2020.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by approximately 7.1% from RMB464.9 million for the year ended 31 December 2019 to RMB432 million for the year ended 31 December 2020, which was mainly attributable to (i) a decrease in sales volume and production volume that led to decrease in raw material cost, packing and other material cost, direct labor cost and manufacturing cost, (ii) an increase in the changes in the inventories of finished goods and work in progress. Gross profit for the Group decreased from approximately RMB1,319.2 million for the year ended 31 December 2019 to approximately RMB1,006.6 million for the year ended 31 December 2020. The gross profit margin decreased from 73.9% for the year ended 31 December 2019 to 70% for the year ended 31 December 2020. It was due to (i) the increase in discounts offered by the Group to its customers, and (ii) the increase in percentage of revenue from the online channels, and the gross profit margin of exclusive products sold at the online channel is lower.

Other Income and Gains

Other income and gains of the Group decreased by RMB12.9 million from approximately RMB22.9 million for the year ended 31 December 2019 to approximately RMB9.9 million for the year ended 31 December 2020, which was mainly attributable to (i) a decrease in government grants, (ii) a decrease in agency commission income as a result of the decreased revenue generated from Group's WeChat member store for selling third-party brand products during the year, (iii) a decrease in interest income of financial assets measured at fair value through profit or loss, because of the decrease in average balance of the financial assets measured at fair value through profit or loss held by the Group during the year and (iv) an decrease 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 RMB1,092.4 million for the year ended 31 December 2019 to approximately RMB967.2 million for the year ended 31 December 2020, which was mainly attributable to (i) a decrease in the commission expenses as a result of the decrease in revenue during the year, (ii) a decrease in labour service expense of salesman, which was because of the decrease in the number of concessionary counter and sales personnel but partly offset by (iii) an increase in the advertisement expenses due to the Group's increase in its efforts in advertising and promotion.

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, other taxes and fees, office expenses, travel and communication expenses, depreciation and amortisation and others. The administrative expenses decreased from approximately RMB102.9 million for the year ended 31 December 2019 to approximately RMB81 million for the year ended 31 December 2020. The decrease was mainly due to (i) a decrease in salary and employee benefit expenses as a result of the decrease in the number of the administrative staff, and (ii) a decrease in other taxes and fees, which are caused by the decrease in the revenue for the year.

Impairment Losses on Financial Assets

Impairment loss on financial assets increased to approximately RMB9.6 million for the year ended 31 December 2020 from approximately RMB4.6 million for the year ended 31 December 2019, which was mainly attributable to the increased overdue trade receivables and other receivables balances.

Other Expenses

Other expenses of the Group increased to approximately RMB10.7 million for the year ended 31 December 2020 from approximately RMB1.3 million for the year ended 31 December 2019 primarily due to an increase in the loss on disposal of property, plant and equipment.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs increased from approximately RMB0.8 million for the year ended 31 December 2019 to approximately RMB1 million primarily due to (i) an increase in the interest on lease liabilities because the Company moved to the new office and the new lease agreement was effective from 14 June 2019, and interest on lease liabilities accrued for around 6 months for the year ended 31 December 2019, while the interest on lease liabilities accrued for 12 months for the year ended 31 December 2020, but partly offset by (ii) a decrease in interest on a borrowing from a financial institution, which was due to a decrease in the average balance of the interest-bearing borrowings held by the Group.

(Loss)/Profit before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB140.1 million for the year ended 31 December 2019, as compared with a loss before tax of approximately RMB53.1 million for the year ended 31 December 2020.

Income Tax Credit/(Expense)

The Group's income tax expense was RMB13.7 million for the year ended 31 December 2019, while the income tax credit was RMB38.6 million for the year ended 31 December 2020, which was mainly due to (i) a decrease in current income tax expense, which was caused by the decrease in the assessable profit for the year, (ii) an increase in the deferred tax income as a result of the losses incurred by some subsidiaries in the Group during the year. The Group's effective tax rates for both years were different from the PRC statutory income tax rate of 25%. This difference is attributable to China's enterprise income tax exemption for income from preliminarily-processed agricultural products, and such waiver is applicable to the Group's certain products.

(Loss)/Profit for the Year

The Group recorded a profit of approximately RMB126.3 million for the year ended 31 December 2019, as compared with a loss of approximately RMB14.5 million for the year ended 31 December 2020.

Financial Resources Review

Working Capital and Financial Resources

	As at 31 December 2020 (RMB million)	As at 31 December 2019 (RMB million)
Trade and bills receivables	161.9	225.6
Trade payables	52.6	63.3
Inventories	92	114
Trade receivables turnover days ⁽¹⁾	49	48
Trade payables turnover days ⁽²⁾	52	53
Inventory turnover days ⁽³⁾	87	93

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 decrease of trade and bills receivables was primarily attributable to a decrease in the sales of products. The trade receivables turnover days remained stable.

The decrease of trade payables was primarily attributable to a decrease in the purchase of raw materials and packaging materials used for the production, which was caused by the declined sales for the year. The trade payables turnover days remained stable.

The decrease of inventories was mainly attributable to clearance of unsold inventories, and a decrease in raw materials and finished goods was in line with the declined sales during the year. The decrease in inventory turnover days is primarily attributable to the implementation of the rigid inventory control measures.

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB564.2 million, representing an increase of approximately 1.1% from RMB558 million as at 31 December 2019.

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, purchase of financial assets at fair value through profit or loss. The Group financed its liquidity requirements through cash flows generated from its operating activities.

As at 31 December 2020, the Group had no interest-bearing borrowings (31 December 2019: nil).

Net cash flows from operating activities were RMB86.9 million in 2020, as compared with net cash flows from operating activities of RMB171.6 million in 2019. Net cash used in investing activities were RMB62.4 million in 2020, as compared with net cash flows used in investing activities of RMB19.3 million in 2019. Net cash flows used in financing activities were RMB7.7 million in 2020, as compared with net cash used in financing activities of RMB204.6 million in 2019.

As at 31 December 2020, the Group had net current asset of RMB665.5 million, as compared with net current asset of RMB730 million as at 31 December 2019.

Capital Commitments

As at 31 December 2020, the Group had contracted but not provided for capital commitments of approximately RMB23.1 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 RMB36.6 million as at 31 December 2019.

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 2020, the Group had no contingent liabilities.

Pledge of Assets

As at 31 December 2020, the Group did not pledge any assets.

Gearing Ratio

As at 31 December 2020, 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 1.4% (31 December 2019: 1.6%).

Employees and Remuneration Policy

As at 31 December 2020, the Group had 739 employees, as compared with 838 employees as at 31 December 2019. For the year ended 31 December 2020, costs of employees, excluding Directors' emoluments, amounted to a total of RMB168.5 million, representing a decrease of approximately 16.4% from RMB201.5 million in 2019. 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 2020.

OTHER INFORMATION

Annual General Meeting

The AGM will be held on 31 May 2021 (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 2020.

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 25 May 2021 (Tuesday)
- Closure of register of members 26 May 2021 (Wednesday) to 31 May 2021 (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 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 applicable 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 the applicable provisions set out in the CG Code during the year ended 31 December 2020.

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 2020.

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 for 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 during the year ended 31 December 2020.

Sufficiency of Public Float

The Company has maintained a sufficient public float from the 1 January 2020 and up to 31 December 2020.

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 2020.

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 2020, the breakdown of the intended use and the amount utilised as at 31 December 2020 were as follows:

	Budget	Amount that had been utilized as at 31 December 2020 (Unit HK\$ million)	Remaining balance as at 31 December 2020
To further enhance our integrated distribution platform and optimize our channel mix	222.9	222.9	–
– To expand the online presence through further developing the technology infrastructure	22.3	22.3	–
– To upgrade certain existing concessionary counters into integrated health food stores in supermarkets	22.3	22.3	–
– To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees	44.6	44.6	–
– To expand into and introduce our existing and/or new products at various high-frequency “on-the-go” consumption channels	133.7	133.7	–
To construct the new Nansha Manufacturing Facility in Guangzhou, Guangdong Province and procure machinery and equipment for this planned processing facility	382.1	230.5	151.6
To be used for general corporate purposes	31.8	31.8	–
Total	636.8	485.2	151.6

Note: The remaining proceeds are expected to be utilised during the period from 1 January 2021 to 31 December 2021, and are subject to change based on the Directors’ best estimation of the future market conditions.

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 2020.

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 2020 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 2020 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 2020 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, 30 March 2021

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.