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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 six months ended 30 June 2023 (the "**Period**"), together with the comparative figures for the corresponding period in 2022 as below.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		**Period-on-period change**
	2023	2022	
	RMB'000	RMB'000	**Increase**
Revenue	**873,853**	840,411	4.0%
Gross profit	**558,493**	542,809	2.9%
Profit before tax	**100,979**	67,952	48.6%
Profit for the period attributable to owners of the company	**83,170**	52,355	58.9%
Earnings per share (expressed in RMB)			
Basic	**0.039**	0.024	62.5%
Diluted	**0.039**	0.024	62.5%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**For the six months ended 30 June**	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	**873,853**	840,411
Cost of sales		**(315,360)**	(297,602)
Gross profit		**558,493**	542,809
Other income and gains	4	**10,784**	8,950
Selling and distribution expenses		**(426,366)**	(440,941)
Administrative expenses		**(41,299)**	(41,213)
Impairment losses on financial assets		**(40)**	(1,115)
Other expenses		**(388)**	(203)
Finance costs		**(205)**	(335)
PROFIT BEFORE TAX	5	**100,979**	67,952
Income tax expense	6	**(17,809)**	(15,597)
PROFIT FOR THE PERIOD		**83,170**	52,355
Attributable to:			
Owners of the parent		**83,170**	52,355
Earnings per share	8		
Basic		**0.039**	0.024
Diluted		**0.039**	0.024

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

For the six months ended 30 June 2023

	Note	For the six months ended 30 June **2023** **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**83,170**	52,355
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(16,869)**	(22,380)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**20,309**	27,678
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**86,610**	57,653
Attributable to:			
Owners of the parent		**86,610**	57,653

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**292,378**	305,998
Right-of-use assets		**41,116**	44,867
Prepayments, other receivables and other assets		**6,657**	-
Intangible assets		**318**	391
Deferred tax assets		**48,785**	62,283
Total non-current assets		**389,254**	413,539
CURRENT ASSETS			
Inventories		**64,448**	81,865
Trade and bills receivables	9	**173,836**	191,583
Prepayments, other receivables and other assets		**53,556**	38,876
Amount due from related parties		**10,116**	11,098
Cash and cash equivalents		**880,430**	781,337
Restricted bank deposits		**557**	556
Total current assets		**1,182,943**	1,105,315
CURRENT LIABILITIES			
Trade payables	10	**57,905**	84,888
Contract liabilities		**9,481**	12,155
Other payables and accruals		**112,135**	114,145
Lease liabilities		**6,352**	6,532
Tax payable		**46,741**	48,371
Total current liabilities		**232,614**	266,091
NET CURRENT ASSETS		**950,329**	839,224
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,339,583**	1,252,763

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	Note	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**–**	48
Deferred tax liabilities		**10,794**	9,924
Lease liabilities		**1,642**	4,736
Total non-current liabilities		**12,436**	14,708
Net assets		**1,327,147**	1,238,055
EQUITY			
Equity attributable to owners of the parent			
Share capital		**147**	147
Reserves		**1,327,000**	1,237,908
Total equity		**1,327,147**	1,238,055

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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, 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**").

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial statements 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 interim condensed consolidated 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 accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have material impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 International Tax Reform – Pilar Two Mode/Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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) for the six months ended 30 June 2023 and 2022.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sale of goods	**873,853**	840,411
Timing of revenue recognition		
Goods transferred at a point in time	**873,853**	840,411

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and gains		
Government grants*	**1,310**	2,946
Bank interest income	**3,155**	1,509
Income from financial assets measured at fair value through profit or loss	**5,635**	3,205
Commission income from provision of a sales platform	**106**	590
Others	**578**	700
	10,784	8,950

* 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):

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	**315,360**	297,602
Depreciation of property, plant and equipment	**16,304**	11,352
Depreciation of right-of-use assets	**3,538**	3,268
Lease payments not included in the measurement of lease liabilities	**1,366**	1,403
Research and development costs*	**2,511**	2,728
Amortisation of intangible assets	**72**	130
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs):		
Wages and salaries	**64,930**	66,432
Equity-settled share option expenses	**107**	174
Equity-settled share award expenses	**2,150**	949
Pension scheme contributions	**6,348**	6,502
Impairment of trade and bills receivables**	**40**	1,115
Loss on disposal of items of property, plant and equipment	**25**	7
Income from financial assets measured at fair value through profit or loss	**(5,635)**	(3,205)
Finance costs	**205**	335
Bank interest income	**(3,155)**	(1,509)

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

** Impairment of trade and bills receivables is included in "Impairment of financial assets" in the interim condensed 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 is not subject to any income tax in the British Virgin Islands and the Cayman Islands during the period (six months ended 30 June 2022: Nil).

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 period (six months ended 30 June 2022: Nil).

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 was 25% (six months ended 30 June 2022: 25%) on their taxable profits for the six months ended 30 June 2023 and 2022.

For the six months ended 30 June 2023 and 2022, income arising from the preliminary agricultural processed products in Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd. was not subject to income tax, pursuant to the relevant PRC tax laws.

The major components of income tax expenses in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – PRC		
Charge for the period	**3,441**	7,308
Deferred tax	**14,368**	8,289
Total tax charge for the period	**17,809**	15,597

7. INTERIM DIVIDENDS

The board of directors do not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

The calculation of the diluted earnings per share for the period is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of the ordinary shares in issue during the period, 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 of all dilutive potential ordinary shares into ordinary shares.

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

Earnings	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**83,170**	52,355

Shares	For the six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**2,151,027,644**	2,184,209,714
Effect of dilution – weighted average number of ordinary shares:		
Share award	**365,265**	1,919,952
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**2,151,392,909**	2,186,129,666

The share option had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share for the period ended 30 June 2023 and 2022.

9. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**179,558**	195,685
Bills receivable	**3,603**	5,183
Impairment	**(9,325)**	(9,285)
	173,836	191,583

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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	**170,521**	185,901
1 to 2 months	**1,942**	2,956
2 to 3 months	**259**	1,136
Over 3 months	**1,114**	1,590
	173,836	191,583

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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	**46,130**	62,223
1 to 2 months	**10,082**	19,612
2 to 3 months	**365**	1,672
Over 3 months	**1,328**	1,381
	57,905	84,888

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

MANAGEMENT DISCUSSION AND ANALYSIS

At the beginning of 2023, with the gradual recovery of the society and people's livelihood, the macroeconomic situation has been improving. In the first half of the year, China's GDP increased by 5.5% year-on-year, and retail sales of social consumer goods increased by 8.2% year-on-year. At the same time, China's current economic recovery was still at an early stage, and the recovery trend of different industries has been uneven. Sustained recovery in the future requires strong support from vigorous domestic demand.

Although China has launched a number of policies to benefit the consumer market, the current international environment is still complex and volatile. With the global economy slowing down, China, as an important part of the global economy, will inevitably be impacted to a certain extent. Assuming that the potential of domestic demand is to be released, supporting steady economic growth may be the focus of future economic development.

At the same time, consumers are also showing new consumption trends as compared to the past: the continuous improvement of living standards promotes the continuous development of the high-end consumer goods market and consumers are increasingly pursuing quality and are also more rational. In addition, consumers' diverse demands for consumption value are providing more market opportunities to brands with brand advantages, supply chain advantages and mutual empowerment advantages of online and offline channels.

BUSINESS REVIEW

BRANDS

WUGU MOFANG (五谷磨房)

As the No. 1 brand of nutritious and healthy food in China, Wugu Mofang has been providing consumers with a variety of healthy and nutritious grain breakfast powder with one-step nutrition under the brand promise of "good raw materials, additive-free and more professional" for 17 years. Wugu Mofang has been searching for high-quality ingredients all over the world. It takes famous origins and natural freshness as the selection criteria. From the storage of ingredients to the delivery of finished products, they must go through thorough quality inspections. Wugu Mofang has established a full-chain quality assurance system from the land to the dining table to realize "producing healthy food that we and our family can enjoy the most". In terms of products, "Top Grade Eight Treasures (上品八珍)" (a cereal meal with prebiotics, yam, tangerine peel and poria cocos) was newly launched. It combines traditional Chinese classic dietary nutrition formula with modern nutritional science and is a dietary nourishment (藥食同源) mild to the stomach, inheriting brand classics while maintaining brand vitality. In addition, "Prebiotics Eight Treasures (益元八珍)" (a food product with nuts, yams and cereals), as a classic breakfast cereal drink product that has been selling well for more than ten years, has been widely loved by consumers for its highlight of "warming the spleen and stomach without burden". In terms of channels, rooting in offline counters as the main channel, we have created dietary nutrition stores for the whole family, guaranteed consumers an excellent consumption experience with excellent services, and always remained sensitive to consumer needs.

Wugu Mofang has always attached great importance to the scientific nature and precision of products. Therefore, we jointly established the "Modern Dietary Nutrition Research and Development Centre (現代食養研發中心)" with the Chinese Nutrition Society and the "Dietary Nutrition Black Sesame Research Centre (食養黑芝麻研究中心)" with the Oil Crops Research Institute of the Chinese Academy of Agricultural Sciences, and have long-term in-depth cooperation with a number of professional institutions and nutritionists, from research on the nutritional value of raw materials to product formulations, in order to provide consumers with more scientific and precise products.

BLACK NUTRITION (黑之養)

With black sesame seeds as the representative ingredient, we provide various products, including Chinese grain health powder and Chinese health snacks, to young and middle-aged consumers to meet different consumption scenarios, with a view to energising their daily healthy lives and keeping them young. In terms of products, we continued to focus on the eating experience and taste improvement of the flagship product "Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)" to keep improving the product and strengthening the characteristics of fragrant and smooth taste. In terms of channels, with the high-potential online channels as the starting point, it has won the title of "No. 1 Natural Powder Flagship Product (天然粉粉第一大單品)" in various online channels for many years and expansion and distribution of new channels were driven relying on the brand potential. In terms of promotion, we focused on "Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)" and carried out matrix promotion on social media platforms such as Douyin and Xiaohongshu, in order to emphasize the message of black ingredients and black sesame being good for maintaining a youthful mind.

While jointly establishing the "Dietary Nutrition Black Sesame Research Centre (食養黑芝麻研究中心)" with the Oil Crops Research Institute of the Chinese Academy of Agricultural Sciences to conduct in-depth research on the nutritional value of black sesame, we have also successfully seeded and raised "Black Nutrition 1 (黑之養1號)", a new dietary nutrition black sesame seed. This new seed is richer in nutritional elements than ordinary black sesame, empowering the dietary nutrition industry with technological innovation.

LITTLE GENIUS (小天才)

With walnuts as its representative ingredient, it has become one of the first choices of healthy snacks for children in the form of Chinese health snacks to impress young and sophisticated mothers. "Little Genius (小天才)" adhered to Wugu Mofang Group's mission of "producing healthy food that we and our family can enjoy the most". In terms of core raw material control and production line control, a higher standard of "mother standard" has been adopted to bring safe, nutritious and delicious product experience to children. During the reporting period, the product has demonstrated encouraging growth potential and prospects by contributing 11.4% of the revenue from E-commerce channels.

Looking forward to the second half of the year, although the strong consumer demand and consumer confidence still need to be boosted, we always firmly believe that consumers will continue to pursue a healthy and high-quality life. We will also start from consumers' aspects and grasp their preferences and needs. We will capture consumers' minds through "good raw materials, additive-free and more professional" products, and enhance the penetration of the brand in consumers' minds. By continuously improving products and improving quality, we can provide consumers with a more satisfying product consumption and purchase experience. We will give full play to our advantages in flexible supply chain and professional research and development, continue to innovate and improve products, and strive to provide more products with dietary nourishment（藥食同源） which are beneficial to various subdivided health needs to consumers. We will continue to optimize the relationship with consumers, deliver stronger and emotionally resonant values, and make the brand the first nutritional choice for consumers, and finally realize the vision of "becoming the No. 1 new Chinese dietary nutrition brand".

SALES CHANNELS

E-COMMERCE CHANNELS

After several years of development, the market structure of e-commerce and the resulting consumer behaviors and habits have undergone structural changes. On the basis of ensuring the uniform output of the brand image on all platforms and improving the penetration in consumers' minds, we have adopted a customized marketing strategy according to the styles and rules of different platforms. We have stepped up to penetrate various online channels, so as to carry out precise marketing for different customer groups and strive to achieve the combination of product and effect. Against the backdrop of the ever-changing platform rules and popularity, we focused on the development of live streaming, especially self-broadcasting and content marketing, in order to enhance the cohesion between consumers and the brand.

During the reporting period, the e-commerce platform recorded revenue of RMB359.3 million, representing a year-on-year increase of 10.0%. Among which, social media platforms, represented by Douyin and Kuaishou, contributed approximately 43.0% of revenue, and have become one of the most important components of our e-commerce channels.

During 618 this year, Wugu Mofang has once again become the No.1 brand of two categories, drinks and food supplement powder, in Tmall 618 in terms of first-day sales and the No. 1 cereal drink on JD.com.

OFFLINE CHANNELS

During the reporting period, revenue from the new channel business increased by 34.9% year-on-year to RMB110.8 million. The number of sales outlets increased by 65.0%. In terms of this channel, we adopted the strategy of "flagship product and multiple specifications" to give full play to the leading position of the "Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)" series and expand the influence of popular products. We continued to explore the successful channel experience to form a reference and copy it to wider channels, in order to improve our coverage in target channels. In terms of promotion, we focused on high-yield investment activities and continued to create stores with high-average unit price.

In terms of the concessionary counters business, we recorded revenue of RMB403.8 million, representing a year-on-year decrease of 6.5%. This was mainly due to the decrease in the number of concessionary counters (the corresponding period in 2022: 2,234; the corresponding period in 2023: 1,966, representing a year-on-year decrease of 12.0%). The average output of single store increased by 6.3% year-on-year. This was mainly attributable to the fact that we have seized the opportunity to launch a variety of gift box products that meet gift needs and the contribution of the new product "Top Grade Eight Treasures (上品八珍)".

Looking forward to the future, our goals are to rapidly develop the channel business as the core growth driver, vigorously develop and stabilize the leading brand position in various traditional e-commerce and emerging social media e-commerce platforms, fully mobilize our long-established brand and sales advantages in terms of concessionary counters, and work together to create an omni-channel model with mutual empowerment.

Financial Review

Revenue

The Group sells its products through an extensive network of offline concessionary counters, new channel as well as online channels, including major e-commerce platforms. 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 periods indicate:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Offline channels	**514,601**	**58.9**	513,798	61.1
Offline concessionary counter	**403,754**	**46.2**	431,610	51.4
New channel business	**110,847**	**12.7**	82,188	9.8
Online channels	**359,252**	**41.1**	326,613	38.9
E-commerce platforms	**359,252**	**41.1**	326,613	38.9
Total	**873,853**	**100.0**	840,411	100.0

For the six months ended 30 June 2023, absolute amounts of revenue generated from sales through its offline and online channels increased as compared to the corresponding period in 2022 and total revenue increased from RMB840.4 million for the six months ended 30 June 2022 to RMB873.9 million for the six months ended 30 June 2023. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased to approximately 58.9% for the Period from approximately 61.1% for the corresponding period in 2022, while revenue generated from sales through online channels increased from approximately 38.9% for the six months ended 30 June 2022 to approximately 41.1% for the Period. The increase in revenue was due to an increase in the revenue generated from both online and offline channels.

Revenue generated from sales through offline channels has remained stable and showed slight positive growth primarily due to the increase in sales through new channel business which is mitigated by the decrease in sales through offline concessionary counter.

The increase in sales through online channels was mainly attributable to (i) the excellent sales performance recorded for the flagship product "Walnut Black Soy Sesame Powder（核桃黑豆芝麻粉）and (ii) the E-commerce team's good operation of the traditional E-commerce channels while setting up and operating other social E-commerce platforms including Douyin Store, which successfully contributed to the significant increase in revenue generated from online channels.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 6.0% from RMB297.6 million for the six months ended 30 June 2022 to RMB315.4 million for the Period, which was mainly attributable to (i) an increase in sales volume and production volume that led to the increase in raw material cost, packaging and other materials cost and direct labor cost; (ii) an increase in depreciation cost and indirect labor cost that led to the increase in manufacturing cost; and (iii) an increase in transportation expenses related to fulfilling the customer contracts.

Gross profit of the Group increased from approximately RMB542.8 million for the six months ended 30 June 2022 to approximately RMB558.5 million for the Period. The gross profit margin decreased from approximately 64.6% for the six months ended 30 June 2022 to approximately 63.9% for the Period, it was primarily due to the increase in percentage of revenue derived from online channels, and the gross profit margin of products sold through online channels was relative low.

Other Income and Gains

Other income and gains of the Group increased by RMB1.8 million from approximately RMB9.0 million for the six months ended 30 June 2022 to approximately RMB10.8 million for the Period, which was mainly attributable to (i) an increase in bank interest income, because of the increase in the average bank balance; (ii) an increase in the interest income from financial assets measured at fair value through profit or loss and (iii) a decrease in government subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of advertising expenses, commission expenses, labour service expenses of salesmen, salary and employee benefit expenses, sales promotion expenses and others. The selling and distribution expenses decreased from approximately RMB440.9 million for the six months ended 30 June 2022 to approximately RMB426.4 million for the Period, which was mainly attributable to (i) the combined effects of the following factors: (i) a decrease in the number of offline concessionary counters and salesman staffs that led to the decrease in labor service expenses of salesmen of offline channels; (ii) a decrease in commission expenses during the Period due to the decreased revenue from offline concessionary counters and reduced output from the online influencer live streaming segment; (iii) a decrease in promotional expenses mainly due to a decrease in the average number of offline concessionary counters and fewer promotional activities in offline supermarkets; and (iv) an increase in advertisement promotion expenses mainly due to a significant boost in sales and marketing activities on online platforms, particularly the Douyin platform during the Period.

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, other taxes and fees, office expenses, intermediary service fees, depreciation and amortization, research and development expenses, share based payment expenses and others. The administrative expenses basically increased from approximately RMB41.2 million for the six months ended 30 June 2022 to approximately RMB41.3 million for the Period. The increase was mainly due to the combined effects of the following factors: on the one hand, (i) an increase in other taxes and fees because of the payment of Guangzhou Nansha land occupation tax and property tax; and (ii) an increase in share based payment expenses due to the adoption of share award scheme on 28 March 2022 and the grant of a total of 7,200,000 award shares to 6 Selected Participants under the share award scheme during the Period; and on the other hand, (iii) a decrease in the salary and employee benefit expenses, which was mainly attributed to reduced financial compensation resulting from employee layoffs; (iv) the decrease in research and development project expenses led to a reduction in R&D expenditure.

Impairment Losses on Financial Assets

The Group recorded an impairment losses of financial assets of approximately RMB0.04 million for the Period, while the Group recorded an impairment losses of financial assets of approximately RMB1.1 million for the six months ended 30 June 2022, it was mainly attributable to a decrease in overdue trade and bills receivables balances.

Other Expenses

The other expenses of the Group increased by approximately RMB0.2 million from approximately RMB0.2 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the Period, which was mainly attributable to an increase in other non-operating expense mainly resulting from an increase in donation expenses.

Finance Costs

The Group's finance costs decreased from approximately RMB0.3 million for the six month ended 30 June 2022 to approximately RMB0.2 million for the Period, which was primarily due to the reduction in lease liabilities resulting from a decrease in interest expense on lease liabilities.

Profit Before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB101.0 million for the Period, as compared to a profit before tax of approximately RMB68.0 million for the six months ended 30 June 2022.

Income Tax Expense

The Group's income tax expense increased from approximately RMB15.6 million for the six month ended 30 June 2022 to approximately RMB17.8 million for the Period. The Group's effective tax rates for the Period was different from the PRC statutory income tax rate of 25%. The difference was mainly attributable to income derived from preliminary agricultural proceed products which was not subject to income tax in China.

Profit for the Period

The Group recorded a profit of approximately RMB83.2 million for the Period, as compared to a profit of the Group of approximately RMB52.4 million for the six months ended 30 June 2022.

Financial Resources Review

Working Capital and Financial Resources

	As at 30 June 2023 (RMB million)	As at 31 December 2022 (RMB million)
Trade and bills receivables	**173.8**	191.6
Trade payables	**57.9**	84.9
Inventories	**64.4**	81.9
Trade receivables turnover days[(1)]	**39**	39
Trade payables turnover days[(2)]	**41**	43
Inventory turnover days[(3)]	**42**	48

Notes:

(1) Trade receivables turnover days = number of days in the reporting period 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 = number of days in the reporting period 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 = number of days in the reporting period 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 in trade and bills receivables was primarily attributable to tight control of the credit terms granted to its customers and reduction of the credit period granted by the Group. The trade receivables turnover days remained stable.

The decrease in trade payables and the trade payables turnover days was mainly attributed to the tight control of the credit terms granted from its suppliers and reduction of the credit period granted to the Group by suppliers.

The decrease in inventories and the decrease in inventory turnover days was primarily attributable to the Group's implementation of rigid inventory control measures during the Period.

Liquidity and Financial Resources

As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB880.4 million, representing an increase of approximately 12.7% from RMB781.3 million as at 31 December 2022.

The Group's primary uses of cash were payment for suppliers, daily operating expenses, purchase of financial assets (i.e. wealth management products), purchase of items of property, plant and equipment. The Group financed its liquidity requirements through cash flows generated from its operating activities and proceeds from redemption of financial assets.

As at 30 June 2023, the Group had net current asset of RMB950.3 million, as compared with net current asset of RMB839.2 million as at 31 December 2022.

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 30 June 2023, the Group had no contingent liabilities.

Pledge of Assets

As at 30 June 2023, the Group did not pledge any assets.

Gearing Ratio

As at 30 June 2023, the Group's gearing ratio (calculated by dividing total debt by total assets as of the end of each period) was approximately 0.5% (31 December 2022: 0.7%).

Employees and Remuneration Policy

As at 30 June 2023, the Group had 694 employees, as compared with 697 employees as at 31 December 2022. For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of RMB73.5 million, representing a decrease of approximately 2.3% from RMB75.2 million during the corresponding period in 2022. 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 has also adopted the share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. As at 31 December 2022, 63,692,502 share options were outstanding. During the Period, no share options had been cancelled and exercised. As at 30 June 2023, 63,692,502 share options were outstanding.

In addition, the Company has also adopted the share award scheme on 28 March 2022. As at 31 December 2022, 18,800,000 award shares were outstanding. During the Period, 7,200,000 award shares were granted, 1,560,000 award shares had been lapsed and 17,240,000 award shares vested. As at 30 June 2023, 7,200,000 award shares were outstanding.

Further details of the share option scheme and the share award scheme will be set out in the Interim Report of the Company for the six months ended 30 June 2023.

Significant Acquisition, Disposal or Investment

During the Period, the Group did not have any significant acquisition and disposals of subsidiaries and associated companies, or significant investment.

OTHER INFORMATION

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 complied with the applicable code provisions as set out in the Corporate Governance Code ("**CG Code**") as set out in Part II of Appendix 14 of the Listing Rules during the Period, 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 throughout the Period.

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 Period.

Events after the Period

There was no significant subsequent event relevant to the business or financial performance of the Group that come to the attention of the Directors since 30 June 2023.

Use of Proceeds from the Listing

Net proceeds from the global offering of the Company's offer Shares amounted to 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 following table sets forth the use of proceeds by the Group as at 30 June 2023:

	Budget *(HK$ million)*	Accumulated amount utilised as at 31 December 2022 *(HK$ million)*	Amount utilised during the Period *(HK$ million)*	Remaining balance as at 30 June 2023 *(HK$ million)*	Expected timeline for unutilised Net Proceeds
To further enhance the integrated distribution platform and optimise our channel mix	222.9	222.9	–	–	N/A
– To expand the online presence through further developing the technology infrastructure	22.3	22.3	–	–	N/A
– To upgrade certain existing concessionary counters into integrated health food stores in supermarkets	22.3	22.3	–	–	N/A
– To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees	44.6	44.6	–	–	N/A
– To expand into and introduce our existing and/or new products at various high frequency "on-the-go" consumption channels	133.7	133.7	–	–	N/A
To construct the new Nansha Manufacturing Facility in Guangzhou, Guangdong Province and the procurement of machinery and equipment for this planned processing facility	382.1	287.0	1.9	93.2	By end of 2024
To use for general corporate purposes	31.8	31.8	–	–	N/A
Total	**636.8**	**541.7**	1.9	93.2	

As at 30 June 2023, the Group holds the unutilised net proceeds as deposit with creditworthy banks with no recent history of default. There has been no change to the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 29 November 2018. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus of the Company.

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 throughout the Period.

Changes In the Information of Directors and Chief Executives

Since the publication of the 2022 annual report to the date of this announcement, there have been no changes in the information of the Directors and chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules save and except that:

Mr. Zhang Senquan resigned as independent non-executive director of Sang Hing Holdings (International) Limited（生興控股（國際）有限公司）, the shares of which are listed on the Stock Exchange (stock code: 1472).

Audit Committee

As of 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, who are independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Zhang Senquan. The unaudited interim condensed consolidated financial statements for the Period of the Company have been reviewed by the Audit Committee.

Review of the Interim Results by Auditor

The unaudited interim condensed consolidated financial statements of the Group for the Period has been reviewed by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.szwgmf.com). The interim report of the Company for the six months ended 30 June 2023 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 August 2023

As at the date of this announcement, the executive Directors are Ms. GUI Changqing and Mr. ZHANG Zejun; the non-executive Directors 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.