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五谷磨房

Natural Food International Holding Limited

五谷磨房食品國際控股有限公司

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

(Stock Code: 1837)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024, together with the comparative figures for the year ended 31 December 2023 as below.

FINANCIAL HIGHLIGHTS			
	2024	2023	Year-on-year
	RMB'000	RMB'000	Change
Revenue	2,060,367	1,845,275	12%
Gross profit	1,356,287	1,181,484	15%
Profit before tax	219,561	185,934	18%
Profit for the year attributable to owners of the Company	187,858	152,375	23%
Earnings per share (expressed in RMB)			
Basic	0.087	0.071	N/A
Diluted	0.086	0.070	N/A

The Board recommends the declaration of a final dividend of HK\$0.04 (equivalent to approximately RMB0.0369) per ordinary share for the year ended 31 December 2024 (2023: RMB0.0323) at an exchange rate of approximately RMB1=HK\$1.0836. Final Dividend will be paid in HK\$. The final dividend (if approved) is expected to be paid on Wednesday, 18 June 2025 to shareholders whose names appear on the register of members of the Company on Friday, 13 June 2025, subject to approval by the shareholders at the forthcoming annual general meeting to be held on Friday, 30 May 2025 (the “**AGM**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
REVENUE	4	2,060,376	1,845,275
Cost of sales		<u>(704,080)</u>	<u>(663,791)</u>
Gross profit		1,356,287	1,181,484
Other income and gains	4	20,274	19,494
Selling and distribution expenses		(1,043,438)	(897,111)
Administrative expenses		(106,072)	(100,405)
Impairment of financial assets		(15)	(16,164)
Other expenses		(7,098)	(950)
Finance costs		<u>(377)</u>	<u>(414)</u>
PROFIT BEFORE TAX	5	219,561	185,934
Income tax expense	6	<u>(31,703)</u>	<u>(33,559)</u>
PROFIT FOR THE YEAR		<u>187,858</u>	<u>152,375</u>
Attributable to:			
Owners of the parent		<u>187,858</u>	<u>152,375</u>

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

Year ended 31 December 2024

		2024	2023
	Note	RMB'000	RMB'000
PROFIT FOR THE YEAR		<u>187,858</u>	<u>152,375</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(8,531)	(7,679)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		<u>12,666</u>	<u>9,147</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>191,993</u>	<u>153,843</u>
Attributable to:			
Owners of the parent		<u>191,993</u>	<u>153,843</u>
Earnings per share	8		
Basic		<u>0.087</u>	<u>0.071</u>
Diluted		<u>0.086</u>	<u>0.070</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		31 December 2024	31 December
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		290,263	296,305
Right-of-use assets		43,570	38,555
Intangible assets		221	275
Deferred tax assets		21,046	36,937
Other non-current assets		2,838	3,434
		<hr/>	<hr/>
Total non-current assets		357,938	375,506
CURRENT ASSETS			
Inventories		94,583	93,475
Trade and bills receivables	9	223,691	217,818
Prepayments, other receivables and other assets		38,316	48,564
Financial assets at fair value through profit or loss		11,226	–
Amounts due from related parties		17	2,149
Cash and cash equivalent		835,197	840,471
Time deposit		276,419	101,500
Restricted bank deposits		–	1,873
		<hr/>	<hr/>
Total current assets		1,479,449	1,305,850
CURRENT LIABILITIES			
Trade payables	10	114,035	97,346
Contract liabilities		17,378	14,583
Other payables and accruals		123,820	108,332
Lease liabilities		5,105	3,980
Tax payable		36,375	48,129
		<hr/>	<hr/>
Total current liabilities		296,713	272,370
NET CURRENT ASSETS		1,182,736	1,033,480
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,540,674	1,408,986
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2024

	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	13,645	11,484
Lease liabilities	<u>6,737</u>	<u>1,735</u>
Total non-current liabilities	<u>20,382</u>	<u>13,219</u>
Net assets	<u><u>1,520,292</u></u>	<u><u>1,395,767</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	147	147
Reserves	<u>1,520,145</u>	<u>1,395,620</u>
Total equity	<u><u>1,520,292</u></u>	<u><u>1,395,767</u></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, 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 “**Chinese Mainland**”).

In the opinion of directors, as at the date of this announcement, the immediate holding company of the Company is Natural Capital Holding Limited, and the ultimate holding company is Paddy Aroma Investment Limited, which are companies incorporated in BVI.

Information about subsidiaries

Name	Place and date of incorporation/ establishment and place of business	Type of legal entity	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	Limited liability company	Hong Kong dollar (“ HK\$ ”)10,000	100%	–	Investment holding
Gold Parsons International Limited (“ Gold Parsons ”)	BVI, 16 December 2009	Limited liability company	United States dollar (“ USD ”)1,783	100%	–	Investment holding
Natural Food Online Limited	Hong Kong, 28 April 2011	Limited liability company	HK\$10,000	–	100%	Investment holding
Shenzhen Natural Food Co., Ltd. #	Chinese Mainland, 15 December 2011	Limited liability company	HK\$8,000,000	–	100%	Sale of natural health food
Tongyuan New Agricultural Development (Huanggang) Co., Ltd. #	Chinese Mainland, 19 October 2009	Limited liability company	HK\$40,000,000	–	100%	Investment holding

Name	Place and date of incorporation/ establishment and place of business	Type of legal entity	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
Hubei Fuya Food Science and Technology Co., Ltd.	Chinese Mainland, 30 March 2011	Limited liability company	RMB20,000,000	–	100%	Manufacture and sale of natural health food
Guangxi Guiping Jingu Agricultural Development Co., Ltd.	Chinese Mainland, 1 August 2013	Limited liability company	RMB4,000,000	–	100%	Manufacture and sale of natural health food
Natural Food (Guangzhou) Co., Ltd.#	Chinese Mainland, 16 March 2016	Limited liability company	HK\$135,000,000	–	100%	Manufacture and sale of natural health food
Fuya Foods Technology (Shenzhen) Co., Ltd.#	Chinese Mainland, 4 June 2009	Limited liability company	HK\$21,000,000	–	100%	Investment holding and management and administration
Shenzhen Xiangya Food Co., Ltd.	Chinese Mainland, 9 March 2007	Limited liability company	RMB1,000,000	–	100%	Sale of natural health food
Shenzhen Changqing Food Technology Co., Ltd.	Chinese Mainland, 10 November 2010	Limited liability company	RMB5,000,000	–	100%	Sale of natural health food
Hubei Fuya Food Sales Co., Ltd	Chinese Mainland, 21 January 2022	Limited liability company	RMB5,000,000	–	100%	Sale of natural health food

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

2 BASIS OF PREPARATION

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

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 2023 and 2024.

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

	2024 RMB'000	2023 RMB'000
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Revenue from contracts with customers

Sale of goods	2,060,367	1,845,275
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	2024 RMB'000	2023 RMB'000
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Timing of revenue recognition

Goods transferred at a point in time	2,060,367	1,845,275
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The following table shows the amount of revenue recognised in the current year that was included in the contract liabilities at the beginning of the year:

	2024 RMB'000	2023 RMB'000
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Revenue recognised that was included in the contract liabilities at the beginning of the year	10,973	12,155
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	2024 RMB'000	2023 RMB'000
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Other income and gains

Government grants*	1,231	1,525
Bank interest income	12,671	11,890
Fair value gain	363	–
Income from financial assets at fair value through profit or loss	4,947	4,812
Commission income from provision of a sales platform	105	904
Others	957	363

Total other income and gains	20,274	19,494
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* Various government grants have been received from local government authorities in the Chinese Mainland. 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):

	2024 RMB'000	2023 RMB'000
Cost of inventories sold	704,080	663,791
Depreciation of property, plant and equipment	29,393	31,354
Depreciation of right-of-use assets	6,540	7,434
Amortisation of intangible assets	54	116
Lease payments not included in the measurement of lease liabilities	2,908	1,752
Research and development costs*:		
Current year expenditure	19,119	11,918
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs)		
Wages and salaries	139,205	132,189
Equity-settled share option expenses	127	96
Equity-settled Share award expenses	2,926	3,433
Pension scheme contributions	4,937	4,493
Total	147,195	140,211
Auditor's remuneration	2,019	1,943
Impairment of financial assets		
Impairment loss of trade and other receivables	15	6,066
Impairment of amounts due from related parties	–	10,098
Total	15	16,164
Loss on disposal of items of property, plant and equipment**	1,770	58
Finance costs	377	414

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

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

As at the end of each financial year, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years.

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 2023 and 2024.

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 2023 and 2024.

Taxes on profits assessable in the Chinese Mainland have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the Chinese Mainland Corporate Income Tax Law (the “**Chinese Mainland Tax Law**”) effective on 1 January 2008, the Chinese Mainland corporate income tax rate of the Group’s subsidiaries operating in the Chinese Mainland during the years ended 31 December 2023 and 2024 was 25% on the taxable profits.

During the years ended 31 December 2023 and 2024, 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 Chinese Mainland tax laws.

The income tax expenses of the Group for the years ended 31 December 2023 and 2024 are analysed as follows:

	2024 RMB’000	2023 RMB’000
Current – Chinese Mainland		
Charge for the year	13,599	6,283
Underprovision in prior year	52	370
Deferred	18,052	26,906
Total tax charge for the year	31,703	33,559

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

	2024		2023	
	RMB'000	%	RMB'000	%
Profit before tax	219,561		185,934	
Tax at the applicable statutory rate	54,874	25.0	46,484	25.0
Lower tax rates for specific areas or enacted by local authority	(1,591)	(0.7)	(1,314)	(0.7)
Effect of withholding tax on the distributable profits of the Group's Mainland China subsidiaries	2,070	0.9	1,560	0.8
Adjustments in respect of current tax of previous periods	52	0.0	370	0.2
Income not subject to tax *	(30,365)	(13.8)	(18,772)	(10.1)
Expenses not deductible for tax	2,300	1.1	521	0.3
Tax losses not recognised	4,363	2.0	4,710	2.5
Tax charge at the effective rate	31,703	14.4	33,559	18.0

* According to *Notice of the Ministry of Finance and the State Administration of Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation)* promulgated on 20 November 2008, and *Supplementary Notice of the Ministry of Finance and the State Administration of Taxation on the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax* issued on 11 May 2011, the income derived from the prescribed scope of preliminarily-processed agricultural products can be exempted from corporate income tax. During the years ended 31 December 2023 and 2024, Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd, had such income derived from preliminarily-processed agricultural products which was not subject to corporate income tax.

7. DIVIDENDS

	2024	2023
	RMB'000	RMB'000
Proposed Final – HK\$0.0400 (2023: HK\$0.0356) per ordinary share	80,398	70,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><u>187,858</u></u>	<u><u>152,375</u></u>
	2024	2023
Shares		
Weighted average number of ordinary shares in issue	2,165,906,000	2,148,666,000
Weighted average number of shares held for the share award scheme	<u>3,269,589</u>	<u>11,052,493</u>
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u><u>2,169,175,589</u></u>	<u><u>2,159,718,493</u></u>
Effect of dilution – weighted average number of ordinary shares: Share award	<u>3,054,022</u>	<u>2,921,458</u>
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u><u>2,172,229,611</u></u>	<u><u>2,162,639,951</u></u>

The share option had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share for the years ended 31 December 2023 and 2024.

9. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	224,079	215,877
Bills receivable	2,089	4,333
Impairment	(2,477)	(2,392)
Net Carrying amount	<u>223,691</u>	<u>217,818</u>

The Group's trading terms with its customers 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 customers, 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 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:

	2024 RMB'000	2023 RMB'000
Within 1 month	221,775	215,651
1 to 2 months	811	1,807
2 to 3 months	343	71
Over 3 months	762	289
	<u>223,691</u>	<u>217,818</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:

	2024 RMB'000	2023 RMB'000
Within 1 month	93,053	75,621
1 to 2 months	17,021	19,653
2 to 3 months	2,702	690
Over 3 months	<u>1,259</u>	<u>1,382</u>
Total	<u><u>114,035</u></u>	<u><u>97,346</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Branding and Marketing

As a renowned new Chinese dietary nutrition brand, Wugu Mofang has long been committed to the brand positioning of “Science-Backed Chinese Dietary Nutrition” (食養有方) by innovatively integrating traditional Chinese homology of medicine and food ancient dietetic formulas with modern nutriology. We insist on protecting customers’ health through food therapy and making functional foods that everyone in the family can enjoy the most.

During the financial year, the Company’s brand building focused on conveying its brand value and positioning of “WUGU MOFANG offers science-backed Chinese dietary nutrition products” to consumers. Leveraging multiple social media matrix, we focused on creating a three-dimensional “Science-Backed Chinese Dietary Nutrition” brand image of “Ancient formulas backed by up-to-date science”, “Source from the best” and “Perfectly processed”.

In terms of “Ancient formulas backed by up-to-date science”, we adhere to the principle of studying ancient formulas with scientific validation. Our core product formulations are all derived from classical food therapy, establishing a trinity of discovering, decoding and applying traditional formulas through innovation. To deepen this commitment, we have established the “Grain Nutrition Research Center” (穀物營養研究中心) and the “Research Institute of Black Sesame for Food and Nutrition” (食養黑芝麻研究院) in collaboration with top authoritative research institutions, dedicated to verify scientific nutrition. We have formed a strategic partnership with the Chinese Nutrition Society for formulae guidance. In addition, we insist on evidence-based claims. Many of our products have gone through third-party professional institutions testing with multiple reports justifying their efficacy, such as “hair-nourishing”, “stomach-supporting”, and “cholesterol-lowering”. The Company focused on enhancing the quality of its communication content, innovating communication channels, and deeply engaging with vertical communities to reach more potential consumers. By leveraging multiple social media platforms KOL, KOC and content marketing, we have gradually established consumers’ deep trust in our brand’s scientific credibility.

In terms of marketing, we focus on core consumer groups as breakthrough, aiming to gradually expand our consumer base. During the financial year, we concentrated on pregnant and postpartum women and holiday gift-giving groups, promoting the core value propositions of “full nutrition & hair nourishment” (全營養&養髮) and “giving health through giving gifts” (送禮送健康).

Products

During the financial year, the Company focused on driving product upgrades and R&D in three core portfolios of “Walnut Sesame Black Bean Powder” (核桃芝麻黑豆粉), “Dietary Nutrition Gift Box” (食養禮盒) and “Ancient Formulas” (古方系列). At the same time, we leveraged big data to empower product research and development, and initially explored the development of “Costume-blended just for you” (一人一方) customized products for Brand’s members.

The “Walnut Sesame Black Bean Powder” (核桃芝麻黑豆粉) has, through years of dedicated development and operation, gained widespread affection and recognition by consumers. It has consistently ranked as the top-selling product in the dietetic grain powder category in multiple e-commerce platforms for many years and has also become the Company’s undisputed star product. During the financial year, while constantly upgrading its products, the Company also focused on redefining its value proposition. Through third-party laboratory testing, we have scientifically validated that the product possesses the trichogenous hair growth effect and can bring health benefits to consumers.

“Dietary Nutrition Gift Box” (食養禮盒) achieved encouraging results during the financial year. The Company adopted a “channel-specific customization” strategy to develop gift box products tailored to consumers from different sales channels. From the contents of the gift boxes to their packaging and design, combined with all-round online and offline marketing, we significantly enhanced the brand recognition of Natural Food’s Dietary Nutrition Gift Box.

“Ancient Formulas” (古方系列) products, represented by “Clearing Damp” (濕无蹤, Prebiotics Yellow Coix Seed Radix Fici Simplicissimae Nutritious Cereal Meal), achieved several-fold growth in sales during the financial year compared with the same period in 2023, and has gained widespread affection and popularity among consumers.

In addition, during the financial year, the Company tried to use big data to provide customized products for brand members. By combining the Company’s long-established member database with artificial intelligence technology, we tailored products to meet the individual health needs of our members.

Distribution Channels

In 2024, China’s consumer market underwent profound channel reforms, with significant dynamic adjustments in the competitive landscape and synergy between online and offline sales channels. For the first time after years of impact from e-commerce, offline channels surpassed online sales, achieving a year-on-year growth of 1.8% in fast-moving consumer goods sales during the first three quarters, while the e-commerce channels experienced a decline by 0.6% in market share. This shift was primarily driven by the emerging discount initiative and small-format retail, enhanced service experiences, policy and localization advantages. In addition, although the overall growth of online channels had slowed down, however, structural differentiation became evident. While traditional e-commerce faced growth pressure, interest-based e-commerce saw rapid growth, and instant retail experienced explosive expansion.

Against this backdrop, the Company’s channel strategy has become increasingly clear after repeated reflection and adjustments:

Concessionary Counters

During the financial year, the Company conducted concessionary counters business focusing on improving operational efficiency and enhancing shopping experience.

In terms of operational efficiency, the Company has solid expertise in managing and operating concessionary counters, which enables the Company to efficiently adjust its sales strategies seasonally and deliver exceptional shopping experiences for consumers. Meanwhile, our team has focused on enhancing core product sales capabilities and improving organizational efficiency during key periods, achieving both sales scale as well as operational efficiency improvement.

In terms of upgrading shopping experience, as offline sales channels transform from a single sales scenario to a “lifestyle experience center” (生活方式體驗中心), with a number of regional retail brands have achieved remarkable results in the transformation process. Inspired by this trend, the Company has sought to capitalize on the opportunities of transformation of offline sales channels by constantly innovating in product offerings, counters and packaging design, and sales communication strategies, with an aim to secure the long-term sustainable growth of our concessionary counter business.

E-commerce

In terms of e-commerce, the Company continued to deepen its presence on existing traditional e-commerce and social e-commerce platforms. We also explored more emerging platforms to expand our market penetration. We have not only established flagship stores and specialty stores on these platforms but also actively and rationally leveraged their unique advantages, such as the front warehouse model of a certain platform, to ensure timely product supply and enhance the shopping experience of consumers. During the financial year, through content planning, gift renewal and other initiatives, the Company actively collaborated with platform marketing IPs during nine major promotional events, including “618” and the “Singles’ Day”, to further boost brand awareness and campaign impact.

In addition, the Company has continued to strengthen its live-streaming efforts on both traditional e-commerce and social e-commerce platforms through differentiated live-streaming room design, tailored content and product offerings, and by leveraging self-live streaming, KOL engagement for large-scale or dedicated live-streaming events to capture channel resources. Furthermore, the Company has constantly optimized short video content on social e-commerce platforms to enhance brand awareness and communicate the value of our products with more quality content.

New channels

In 2024, the Company's new channels business focused on key customer maintenance and sales during the "two major festivals" of the Chinese New Year and Mid-Autumn Festival.

In terms of key customer maintenance, the Company instantly met the product needs of customers in different seasons and time points through differentiated new products and pre-communication of concepts, to deliver richer and more innovative product experiences to consumers.

In other cooperation models, the Company mainly focused on the sales of gift box products during Chinese New Year and Mid-Autumn Festival. By tailoring products to different channels and leveraging strategic channel and store selection, display optimization, and promotional tactics, we aimed to improve the coverage of gift box products during the two major festivals.

FUTURE OUTLOOK

The cultivation and construction of Wugu Mofang's "Science-Backed Chinese Dietary Nutrition" philosophy and the continuous accumulation of brand assets are the long-term commitments of the Company. Ultimately, the brand will be carried forward through its products, reaching millions of households via diverse sales channels. Therefore, the Company will persistently improve its product strength, scientifically validate the nutritious and healthcare value of its products, seize the historic opportunities presented by the ever-changing and complex yet opportunity-rich channels, further focus on "efficiency" and "experience", and pay attention to consumer opportunities in different circles to achieve long-term sustainable growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, the Group recorded a revenue of RMB2,060.4 million, representing an increase of 11.7% as compared to 2023 (2023: RMB1,845.3 million).

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

	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Offline channels	1,139,501	55.3	1,000,172	54.2
Offline concessionary counter	782,113	38.0	734,298	39.8
New channel business	357,388	17.3	265,874	14.4
Online channels	920,866	44.7	845,103	45.8
E-commerce platforms (including WeChat member stores)	920,866	44.7	845,189	45.8
Total	<u>2,060,367</u>	<u>100.0</u>	<u>1,845,275</u>	<u>100.0</u>

For the year ended 31 December 2024, the absolute amount of revenue generated from sales through the Group's offline and online channels both increased as compared to the year ended 31 December 2023, among which, the offline channel business recorded a greater growth, representing an increase of approximately 13.9%, which was mainly due to the Group's effective enhancement of the operational efficiency of offline concessionary counters and the effective implementation of new channel business development strategy.

As a percentage to the total revenue, revenues generated from sales through the offline channels increased from 54.2% in 2023 to 55.3% in 2024, while revenue generated from sales through the online channels slightly decreased from 45.8% in 2023 to 44.7% in 2024.

Cost of Sales, Gross Profit and Gross Profit Margin

The Group's cost of sales increased by approximately 6.1% from RMB663.8 million for the year ended 31 December 2023 to RMB704.1 million for the year ended 31 December 2024, which was mainly due to an increase in sales volume and production volume that led to the increase in raw material costs, packing and other material costs, direct labor costs and manufacturing costs.

Gross profit for the Group increased from approximately RMB1,181.5 million for the year ended 31 December 2023 to approximately RMB1,356.3 million for the year ended 31 December 2024. The gross profit margin increased from 64.0% for the year ended 31 December 2023 to 65.8% for the year ended 31 December 2024, which was mainly due to the growth in overall revenue (an increase of approximately 11.7%) and a slight increase (approximately 6.1%) in cost of sales.

Other Income and Gains

Other income and gains of the Group increased from approximately RMB19.5 million for the year ended 31 December 2023 to approximately RMB20.3 million for the year ended 31 December 2024, which was mainly attributable to an increase in bank interest income.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of commission expense, labour service expense, salary and employee benefit expenses of salesmen, sales promotion expenses and others. The selling and distribution expenses increased from approximately RMB897.1 million for the year ended 31 December 2023 to approximately RMB1,043.4 million for the year ended 31 December 2024, which was mainly attributable to the increase in promotional and marketing expenses in line with the sales growth.

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, research and development expenses, depreciation and amortisation, other taxes and fees and intermediary service expenses. The administrative expenses increased from approximately RMB100.4 million for the year ended 31 December 2023 to approximately RMB106.1 million for the year ended 31 December 2024. Such increase was due to (i) the increase in office expenses; and (ii) the increase in research and development expenses and other expenses.

Impairment of Financial Assets

The Group recorded an impairment loss on financial assets of approximately RMB0.02 million for the year ended 31 December 2024, while the Group recorded an impairment of financial assets of approximately RMB16.2 million for the year ended 31 December 2023, which was mainly attribute to the impairment recognized in the prior year for increased overdue trade receivables and extended aging, and no similar significant doubtful accounts existing this year.

Other Business Expenses

Other business expenses of the Group increased from approximately RMB0.95 million for the year ended 31 December 2023 to approximately RMB7.1 million for the year ended 31 December 2024 primarily due to the disposal and write-off of fixed assets for counters and charitable donations.

Finance Costs

For the year ended 31 December 2024, the Group's finance costs decreased from approximately RMB0.41 million for the year ended 31 December 2023 to approximately RMB0.38 million primarily attributable to a decrease in the interest expense on lease liabilities.

Profit before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB219.6 million for the year ended 31 December 2024, while a profit before tax of approximately RMB185.9 million was recorded for the year ended 31 December 2023.

Income Tax Expense

The Group's income tax expense was RMB31.7 million for the year ended 31 December 2024, while the income tax expense was RMB33.6 million for the year ended 31 December 2023, which was mainly due to an increase in tax-free income.

Profit for the Year

The Group recorded a profit of approximately RMB187.9 million for the year ended 31 December 2024, while a profit of approximately RMB152.4 million was recorded for the year ended 31 December 2023, representing an increase of approximately 23.2%.

FINANCIAL RESOURCES REVIEW

Working Capital and Financial Resources

	As at 31 December 2024 (RMB million)	As at 31 December 2023 (RMB million)
Trade and bills receivables	223.7	217.8
Trade payables	114.0	97.3
Inventories	94.6	93.5
Trade receivables turnover days ⁽¹⁾	39	40
Trade payables turnover days ⁽²⁾	55	50
Inventory turnover days ⁽³⁾	49	48

Notes:

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

The increase of trade and bills receivables was primarily attributable to the increase in revenue. The trade receivables turnover days was 39 days for the year ended 31 December 2024 (31 December 2023: 40 days).

The increase of trade payables was primarily attributable to an increase in the purchase of raw materials and packaging materials used for production. The trade payables turnover days was around 55 days for the year ended 31 December 2024 (31 December 2023: 50 days).

The inventories book value was remained stable at around RMB94.6 million as at 31 December 2024 (31 December 2023: RMB93.5 million). The slight increase in inventory was mainly due to the sales growth.

Liquidity and Financial Resources

As at 31 December 2024, the Group's cash and unrestricted bank deposits amounted to RMB1,111.6 million, representing an increase of approximately 18.0% from RMB942.0 million as at 31 December 2023.

As of 31 December 2024, the Group's primary uses of cash were payment for suppliers, daily operating expenses, purchase of items of property, plant and equipment, purchase of time deposit and financial assets (i.e. wealth management product) 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 2024, the Group had no interest-bearing borrowings (31 December 2023: nil).

Net cash flows from operating activities were RMB271.5 million in 2024, as compared with net cash flows from operating activities of RMB185.9 million in 2023. Net cash used in investing activities were RMB201.4 million in 2024, as compared with net cash used in investing activities of RMB121.1 million in 2023. Net cash used in financing activities were RMB76.3 million in 2024, as compared with net cash used in financing activities of RMB7.1 million in 2023.

As at 31 December 2024, the Group had net current asset of RMB1,182.7 million, as compared with net current asset of RMB1,033.5 million as at 31 December 2023.

Capital Commitments

As at 31 December 2024, the Group had capital commitments of RMB0.9 million, primarily for the purchase of production equipment, while the Group had contracted but not provided for capital commitments of approximately RMB5.0 million as at 31 December 2023.

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 2024, the Group had no contingent liabilities (31 December 2023: nil).

Pledge of Assets

As at 31 December 2024, the Group had no pledge of assets (31 December 2023: nil).

Interest-bearing Gearing Ratio

As at 31 December 2024, the Group's interest-bearing gearing ratio (calculated by dividing total lease liabilities by total assets as of the end of each year) was approximately 0.6% (31 December 2023: 0.3%).

Employees and Remuneration Policy

As at 31 December 2024, the Group had 670 employees, as compared with 682 employees as at 31 December 2023. For the year ended 31 December 2024, costs of employees, excluding Directors' emoluments and R&D cost, amounted to a total of RMB147.2 million, representing an increase of approximately 5.0% from RMB140.2 million in 2023. 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.

Determination of directors' remuneration and the remuneration of the executives of the Company: The remuneration committee of the Company makes recommendations to the Board with reference to the prevailing market remuneration levels, based on the qualifications and experience of each director, their responsibilities undertaken and contribution to the Group. The Board is authorized by the shareholders of the Company at the annual general meeting to determine the directors' remuneration and the remuneration of the executives, having regard to the Group's operating results, individual performance and comparable market statistics.

Emolument policies of the Group's employees are formulated by management with the authorization by the Board with reference to the qualification and experience of each employee, their responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for executives of similar position.

Emolument policies include cash and equity incentives. The Group has also adopted a share option scheme and a share award scheme for the purpose of providing incentives to directors, eligible employees and third party service providers. Further details in relation to these schemes will be set out in the "Report of Board of Directors" section of the annual report of the Company for the year ended 31 December 2024.

OTHER INFORMATION

Annual General Meeting

The AGM will be held on Friday, 30 May 2025. 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 (if despatch is so requested).

Final Dividend

The Board recommends the declaration of a final dividend of HK\$0.04 (equivalent to approximately RMB0.0369) per ordinary share for the year ended 31 December 2024 (2023: RMB0.0323) at an exchange rate of approximately RMB1=HK\$1.0836, based on the average benchmark exchange rate between RMB and HKD as released by the People's Bank of China as of the date of the Board meeting. The total final dividends will amount to approximately RMB80.4 million, which represents approximately 42.8% of the Group's net profit for the year ended 31 December 2024. The final dividend (if approved) will be paid in HK\$.

The final dividend is expected to be paid on Wednesday, 18 June 2025 to shareholders whose names appear on the register of members of the Company on Friday, 13 June 2025, subject to approval by the shareholders at the AGM.

Book Closure 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:

- Closure of register of members Tuesday, 27 May 2025 to Friday, 30 May 2025 (both days inclusive)

For the purpose of determining the entitlement for the proposed final dividend, the Company's register of members will be closed during the following period:

- In order to qualify for the proposed final dividend, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 June 2025.

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

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Corporate Social Responsibility & Environmental Matters

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

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

The Group's environmental, social and governance report will be published on the websites of the HKEXnews and the Company in due course.

Purchase, Sale and Redemption of Shares

During 2024, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any listed securities of the Company (including sale of treasury shares, if any). As of 31 December 2024, the Company did not have any treasury shares.

Sufficiency of Public Float

The Company has maintained a sufficient public float from the 1 January 2024 and up to 31 December 2024.

Events after the Reporting Period

Save as the business updates as disclosed in the announcement of the Company dated 11 March 2025, the Group had no other significant event relevant to the business or financial performance of the Group that should be brought to the attention of the shareholders since 31 December 2024.

Use of Proceeds from the Listing

The net proceeds from the global offering 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 2024, the breakdown of the intended use and the amount utilised as at 31 December 2024 were as follows:

	Budget (HK\$ million)	Accumulated amount utilised as at 31 December 2023 (HK\$ million)	Amount utilised during the year of 2024 (HK\$ million)	Remaining balance as at 31 December 2024 (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 Nansha Manufacturing Facility in Guangzhou, Guangdong Province and the procurement of machinery and equipment for this planned processing facility	382.1	308.8	23.0	50.3	By end of 2028*
To use for general corporate purposes	31.8	31.8	–	–	N/A
Total	636.8	563.5	23.0	50.3	

* *The deferred use of the net proceeds intended for such purpose is due to the fact that the Group’s current production capacity and working capital are sufficient and therefore there is no need to utilise the net proceeds from the global offering for the purchase of production equipment, etc.*

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 C3 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 2024.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Mr. ZHANG Senquan, Mr. HU Peng and Mr. OUYANG Liangyi, all of which are our independent non-executive Directors. Mr. ZHANG Senquan has been appointed as the Chairman of the Audit Committee. The annual results for the year ended 31 December 2024 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 and external internal control consultant.

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 2024 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 HKEXnews (<http://www.hkexnews.com>) and the Company (<http://www.szwgmf.com>). The annual report of the Company for the year ended 31 December 2024 containing all the information required by the Listing Rules will be published and despatched to shareholders of the Company (if requested) 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, 31 March 2025

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.