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Beauty Farm Medical and Health Industry Inc.
美麗田園醫療健康產業有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2373)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023 as follows. These interim results have been reviewed by the Audit Committee and the Company's management.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

	Six months ended June 30,		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(unaudited)	
Number of client visits of direct stores	684,659	613,668	11.6%
Number of active members served at our direct stores	81,531	73,919	10.3%
Revenue	1,137,694	1,036,870	9.7%
Gross profit	534,200	478,106	11.7%
Gross profit margin	47.0%	46.1%	0.9%
Net profit	126,067	121,120	4.1%
Adjusted net profit (non-HKFRS measure)	131,837	131,217	0.5%
	<i>RMB</i>	<i>RMB</i>	
Earnings per share			
Basic	0.50	0.49	
Diluted	0.50	0.49	

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Opportunities and challenges coexisted in the beauty and health industry in the first half of 2024. As a leading player in the industry, Beauty Farm boasts a broad network with deep roots across major Chinese cities, commanding a valuable, high-end customer base. Leveraging our unique business model and our distinction as China’s first public “dual-beauty” company, we have adeptly capitalized on industry opportunities to drive sustained market share growth.

In March 2024, we announced the acquisition of a 70% equity interest in the core assets of Guangzhou Naturade Health Management Co., Ltd. for RMB350 million. Naturade, the second-largest brand¹ of traditional beauty services in China as measured by revenue, integrates traditional Chinese medicine concepts with cutting-edge intelligent technology to offer a unique line of AI-powered, traditional Chinese medicine-based beauty and wellness service offering, building its robust moat in China’s Greater Bay Area. In addition, Naturade was also ranked this year by Frost & Sullivan as the “Top AI-Powered Beauty and Wellness Brand in China,” highlighting its exceptional prowess in the field of “AI-powered beauty and wellness”.

We are also pleased to announce that since September 1, 2024, the Group absorbed the remaining 75 Naturade stores into its network under a franchise model. We have completed the integration of all 150 Naturade stores. Upon completion of this transaction, the Naturade brand will be fully integrated into our diversified brand portfolio. This powerful alliance between the industry leader and the second-largest player will notably elevate the Group’s market share, enhance Beauty Farm’s competitive edge in the wellness sector, and advance our strategic expansion across China’s Greater Bay Area.

The addition of Naturade’s AI-powered beauty and wellness offerings prompted us to further refine our business model in 2024, shifting from our previous “dual-beauty” approach to an upgraded “dual beauty + dual wellness” model. This strategic transformation broadens our customer acquisition channels from “lifestyle beauty” to “lifestyle beauty and lifestyle wellness,” with the increased traffic poised to drive considerable growth in our customer base within the lifestyle wellness segment. Moving forward, we will continue to offer one-stop beauty and wellness services, aesthetic medical services, and subhealth medical services to a broader customer demographic, fostering a beauty and health business ecosystem where “customer integration and business synergy drive mutual value enhancement”. The upgraded “dual beauty + dual wellness” business model not only broadens our traffic channels but also strengthens our health management capabilities and expertise.

Note 1: According to the Frost & Sullivan Industry Report, as measured by revenue in 2021

In the first half of 2024, we reaffirmed our commitment to propelling growth through a dual-engine, internal and external growth strategy. Looking ahead, we anticipate that in the short term, players in the beauty and wellness sector will be largely limited to those in the existing market, with continued consolidation of service providers. As the industry becomes more concentrated, industry leaders are expected to attract a larger share of market resources, reinforcing their competitive advantages and expanding their market share. We project that 2024 will mark the beginning of a new era of acquisitions and consolidations in the beauty industry. Hence, we have identified mergers and acquisitions as a major strategic opportunity for the Group and are actively exploring M&A opportunities within the industry. We aim to grow our membership base in key cities through M&A and enhance our beauty and health revenue scale as we advance our upgraded business model. For more details, please refer to “Mergers and Acquisitions & Strategic Investment” section below.

Owing to our exceptional brand influence, sophisticated customer management expertise, and constantly refined products and services, client visits continued to increase across the Group’s stores. In the first half of 2024, Beauty Farm welcomed 684,659 client visits, up 11.6% year-over-year. Furthermore, our enhanced service quality and continued product innovation are driving increasing conversion of walk-in customers into active members. In the first half of 2024, the number of active members at our direct stores reached 81,531, an increase of 10.3% year-over-year. The average spending per active member at our direct stores was RMB12,608, and average visits per active member reached 6.4. Under our new “dual beauty + dual wellness” business model, we have elevated the visibility of high-margin value-added services among our beauty and wellness customers. In the first half of 2024, 24.3% of our beauty and wellness members purchased or received aesthetic medical services or subhealth medical services, reflecting a year-over-year increase of 0.9 percentage point in conversion rate. Our efforts to grow our membership base are complemented by our strong focus on customer retention and loyalty, which resulted in an impressive 79.0% annual retention rate for active members in the first half of 2024. Meanwhile, the number of active members served at our franchised stores reached 31,402, up 5.0% year-over-year in the first half of 2024.

	For the six months ended	
	June 30,	
	2024	2023
Direct Stores		
Number of client visits	684,659	613,668
Number of active members served	81,531	73,919
Average spending per active member (<i>RMB</i>)	12,608	12,882
Number of visits per active member	6.4	6.6

Our expanding membership has further propelled the Group's revenue scale growth. In the first half of 2024, our total revenue grew against the industry's trend, steadily increasing to RMB1,138 million, up 9.7% year-over-year. Among our total revenues, revenue from our cornerstone beauty and wellness services increased to RMB622 million, up 13.6% year-over-year, primarily due to increased single store membership and our enhanced private domain traffic driven by digital operations. Our subhealth medical services achieved accelerated growth, with revenue reaching RMB74 million, surging by 50% year-over-year. In the first half of 2024, the Group's gross profit margin increased by 0.9 percentage point year-over-year to 47.0%. Adjusted net profit reached RMB132 million, and adjusted net profit margin reached 11.6%.

	For the six months ended June 30,							
	2024				2023			
	Revenue <i>RMB'000</i>	Revenue proportion %	Gross Profit <i>RMB'000</i>	Gross Profit Margin %	Revenue <i>RMB'000</i>	Revenue proportion %	Gross Profit <i>RMB'000</i>	Gross Profit Margin %
Beauty and Wellness Services	622,418	54.7	250,956	40.3	547,705	52.8	211,821	38.7
— Direct stores	564,378	49.6	218,826	38.8	507,338	48.9	188,945	37.2
— Franchisee and others	58,040	5.1	32,130	55.4	40,367	3.9	22,876	56.7
Aesthetic Medical Services	441,327	38.8	243,020	55.1	439,869	42.4	242,586	55.1
Subhealth Medical Services	73,949	6.5	40,224	54.4	49,296	4.8	23,699	48.1
Total	1,137,694	100.0	534,200	47.0	1,036,870	100.0	478,106	46.1

Regarding our store network expansion, our primary goal this year is to increase average revenue per store and improve operating efficiency across our store network. As of June 30, 2024, our nationwide store network had expanded to 409. Following the integration of Naturade into the Group's consolidated financial statements in the second half of the year, we will add 150 direct and franchised stores, significantly boosting our market share in China's Greater Bay Area. Our strategy for new store openings in the beauty and wellness services segment is to prioritize high-value locations that reflect and enhance our brand. For value-added services stores, we are capitalizing on growth opportunities in high-potential cities, upgrading aesthetic medical clinics, and launching subhealth medical clinics to maximize the synergies among our beauty and health services. In terms of franchised stores, our franchised store count exceeded the 200-store milestone in the first half of 2024, totaling 207. This year, we will accelerate the expansion of our franchised store network to penetrate more tier-two and tier-three cities.

Number of stores	For the six months ended	
	June 30,	
	2024	2023
Beauty and Wellness Services	376	367
— Direct stores	169	168
— Franchised stores	207	199
Aesthetic Medical Services	24	21
Subhealth Medical Services	9	7
Total	409	395

Beauty and Wellness Services

Beauty and wellness services are the heart of Beauty Farm’s business model. As we celebrated our 31st anniversary this year, we were proud to be recognized as the “Top Brand in High-End Beauty Services in China” by Frost & Sullivan, a testament to our unparalleled leadership in China’s high-end beauty salon market. In today’s rapidly paced urban lifestyle, consumers are increasingly seeking personal spaces for relaxation. In response, we have leveraged our exceptional services and innovative products to transform our stores into a “third space” precisely attuned to our customers’ needs, bolstering customers’ loyalty and sense of belonging. This transformation has elevated our services from “discretionary” to “essential.” We are delighted to see our dedicated efforts translating into a growing preference for Beauty Farm among an ever-broadening consumer base.

In the first half of 2024, our beauty and wellness services outperformed the market with solid growth and steadily increasing market share, achieving revenue of RMB622 million, an increase of 13.6% year-over-year. Of this, our direct store operations contributed RMB564 million, up 11.2% year-over-year. As more high-quality franchisees joined our network, revenue from our franchise business soared by 43.8% year-over-year to RMB58 million. Our initiatives to boost revenue per store within our direct store network also paid off, with same-store revenue for beauty and wellness services increasing by 9.3% year-over-year. This improvement in same-store revenue effectively enhanced our store operating efficiency, driving our beauty and wellness services’ gross profit margin to 40.3% in the first half of the year, up by 1.6 percentage points year-over-year. As of June 30, 2024, we operated 169 direct stores and 207 franchised stores for beauty and wellness services.

Beauty and wellness is the cornerstone to our business model. In the first half of 2024, our continuous product innovation, service upgrades and execution of precision digital marketing support our single-store membership growth. In the meanwhile, we actively explored industry integration opportunities for potential M&A. In the first half of 2024, 635,146 clients visited our direct operated beauty and wellness stores, up 11.3% year-over-year. The number of active members at our direct beauty and wellness stores reached 78,868, an increase of 9.9% year-over-year. Average visits per active member amounted to 6.0, with average spending of RMB6,771, reflecting the continued strong purchasing power of our mid-to-high-end clientele.

Driven by in-depth insights into customer needs, we strategically expanded our wellness SKU offerings to enhance our beauty and wellness product portfolio. Recognizing the dual demand for body sculpting and health among urban female consumers, we entered into a strategic partnership with French brand LPG in the first half of 2024. This collaboration gave rise to the LPG® BF+ initiative, specifically designed for Beauty Farm’s customers. It quickly emerged as a best-seller after hitting the market, achieving nearly 60% of our annual sales target within just two months. Additionally, we announced the acquisition of Naturade, the “Top AI-Powered Beauty and Healthcare Brand in China,” during the first half of the year. Over the past 17 years, Naturade has pioneered innovations in AI-powered subhealth management solutions guided by traditional Chinese medicine concepts. This acquisition will substantially enhance our brand influence and product competitiveness in the wellness market.

	For the six months ended	
	June 30,	
	2024	2023
Number of client visits	635,146	570,524
Number of active members served	78,868	71,787
Average spending per active member (<i>RMB</i>)	6,771	6,693
Number of visits per active member	6.0	6.2

Aesthetic Medical Services

According to the National Health Commission’s official data, as of June 30, 2024, the number of specialized aesthetic medical institutions in China had reached 19,880, up 28% year-over-year. The surge in the supply of aesthetic medical services has led to increasingly frequent price competition, particularly since the end of 2023. Nevertheless, the long-term outlook for the aesthetic medical industry remains positive, with expectations for continued growth and increasing market polarization. With our deep insight into the high-end customer base in China’s major cities, precise understanding of customer needs, and exceptional cutting-edge product design capabilities, we are confident that Beauty Farm will secure a prominent position in the high-end aesthetic medical market.

In the first half of 2024, revenue from aesthetic medical services reached RMB441 million, with a gross profit margin of 55.1%. During this period, we completed upgrades for our aesthetic medical clinics in Chengdu and Nanjing and opened a new clinic in Nanchang, all of which are expected to drive further revenue growth in these cities. Furthermore, the number of our CellCare aesthetic medical clinics had expanded to 24 across China’s major cities as of June 30, 2024. In response to intense market competition, we have implemented proactive strategies, leveraging digitization to conduct segmented customer management and implement effective, refined operational strategies, substantially boosting client visits while elevating average spending per member.

Our business model focuses on identifying our beauty and wellness customers’ evolving beauty needs and converting those customers into aesthetic medical members. In the first half of 2024, 24.3% of our beauty and wellness members purchased aesthetic medical services or subhealth medical services, an increase of 0.9 percentage point year-over-year. 38,759 clients visited our aesthetic medical stores, up 11.1% year-over-year, with active members reached 19,086, up 12.1% year-over-year, with average spending per active member of RMB22,993, and average annual visits per active member reaching 2.0.

Aesthetic medical services offer a combination of medical attributes with aesthetic value. We are committed to sharing our aesthetic medical system to engage and grow with customers who share our aesthetic vision. On August 8, 2024, during our anniversary celebration, CellCare proudly unveiled a significant upgrade to its original, exclusive TimeSo “Differentiated Aesthetics” system. Following eight years of meticulous refinement, this on-trend upgrade features an innovative product line targeting the needs of today’s consumers, marking a transformative advancement for the TimeSo “Differentiated Aesthetics” system. Exceptional aesthetic experiences call for premium practitioners. As of June 30, 2024, CellCare has curated a top-tier team of 60 experts specializing in integrated injection services and dermatology. Furthermore, cultivating our own dermatologist team remains a key strategic focus for our aesthetic medical business. In April 2024, we successfully concluded our fifth “Elite Physician Technical Training” initiative, and as of June 2024, a cumulative total of 23 dermatologists have joined the CellCare’s physician family.

	For the six months ended	
	June 30,	
	2024	2023
Number of client visits	38,759	34,880
Number of active members served	19,086	17,032
Average spending per active member (<i>RMB</i>)	22,993	25,732
Number of visits per active member	2.0	2.0

Subhealth Medical Services

Our subhealth medical services primarily focus on functional medicine and women’s special care offerings. Our business model’s evolution to “dual beauty + dual wellness” has unlocked significant growth potential for subhealth medical services by expanding our point-of-market access. In the first half of 2024, revenues from our subhealth medical services reached RMB74 million, a substantial increase of 50.0% year-over-year. Among them, revenue from our Women’s Special Care Center surged over 200% year-over-year, reflecting the initial success of our product matrix. We opened new clinics under the Neology brand in Nanjing and Chengdu during the first half of the year, two major cities covered by our direct stores. As of June 30, 2024, the total number of our subhealth medical services stores had increased to 9, with active members rising to 3,627, up 33.8% year-over-year. In the first half of 2024, the average spending per active member of our subhealth medical services was RMB15,180, an increase of RMB2,835 year-over-year, while direct active member penetration increased to 5%, up by 1.8 percentage points year-over-year.

As awareness of women’s health rises, unmet demand for gynecological anti-aging solutions is also growing, opening up a blue ocean market. However, services in the gynecological anti-aging sector remain relatively scarce. Public hospitals, constrained by limited resources, mainly treat diseases, while other institutions typically focus on dermatology or plastic surgery, prioritizing aesthetic improvements rather than systematic gynecological solutions. From the consumer’s perspective, the lack of effective communication channels between institutions and consumers presents another significant challenge. In short, the gynecological anti-aging market faces a significant supply deficit that requires immediate improvement.

Since its launch in 2021, our Women’s Special Care Center under the Neology brand has been committed to delivering one-stop gynecological anti-aging and wellness services. Leveraging cutting-edge gynecological theories and thorough assessments by specialized gynecologists, our Women’s Special Care Center integrates advanced medical technologies to offer personalized, holistic solutions for gynecological anti-aging and wellness. In the first half of 2024, revenue from our Women’s Special Care Center increased significantly, by more than 200% year-over-year. Over 3,600 customers have received services from our Women’s Special Care Center, with an impressive conversion rate of 83.6% for first-time visits. The comfortable and effective service experience offered by our Women’s Special Care Center ensures high customer loyalty, with a member repurchase rate reaching 70%. Boasting industry-leading professional solutions and top-tier services, our Women’s Special Care Center has emerged as a new engine catalyzing our growth.

	For the six months ended	
	June 30,	
	2024	2023
Number of client visits	10,754	8,264
Number of active members served	3,627	2,710
Average spending per active member (<i>RMB</i>)	15,180	12,345
Number of visits per active member	3.0	3.0

Mergers and Acquisitions & Strategic Investment

According to Frost & Sullivan Report, the market size of life beauty service track in China was RMB407.0 billion in 2023, up by 3% year-on-year. Under the huge scale, the market is still characterized by low chain rate and high fragmentation. At present, the industry's supply side is undergoing major consolidation, with top players gaining a competitive edge through robust brand asset accumulation, a nationwide network of high-quality stores, sophisticated customer management systems, and refined corporate governance. Industry integration is expected to rise rapidly as a result. With a fresh wave of acquisitions and consolidations expected in the beauty industry this year, we have strategically integrated M&A into the Group's 2024 strategy.

Beauty Farm has successfully completed more than 30 acquisitions over its decade of experience in industry acquisitions and consolidations. After the acquisition, we work to enhance acquired customers' value through refined operations and the integration of medical resources. Our M&A strategy focuses on two primary types of opportunities. First, we aim to build a diversified brand portfolio through acquisitions. For example, our strategic acquisition of Palaispa in 2016 led to an increase of more than 80% of revenue within four years, thanks to a post-acquisition boost in medical resources and our active expansion of franchise business. Second, we seek to amplify our membership base through acquisitions to drive revenue growth. A case in point is Xi'an, where we successfully captured a significant share of the local beauty market through acquisitions of franchisees and local brands while also developing more value-added services to increase revenue. Currently, Xi'an has emerged as the Group's fifth-largest city by revenue contribution.

Moreover, we boast robust post-acquisition integration capabilities. Leveraging the advantages of our medical resources, strong customer management prowess, advanced digitalization, and our distinction as China's first public "dual-beauty" company, we significantly enhance our portfolio companies' operating efficiency. Through full-spectrum empowerment, Beauty Farm transforms these entities into one-stop beauty and health powerhouses, elevating their membership and overall operations.

Moving forward, we will actively explore and capitalize on potential M&A opportunities within the industry, accelerating our acquisition initiatives and ultimately elevating our brand influence and leading position in the industry.

Outlook

We will continue to leverage our “dual beauty + dual wellness” business model strengths and remain firmly committed to propelling growth through a dual-engine, internal and external growth strategy. Internally, we will continue to enhance our operating efficiency per store and expand revenue in cities covered by our direct stores. Additionally, we will bolster our membership base, enable refined customer operations, and increase the penetration of value-added services. In terms of store network expansion, we will selectively open direct stores that offer substantial strategic value, upgrade our aesthetic medical stores and subhealth medical stores, and actively advance our franchise business. Externally, we will harness the opportunities emerging from the industry’s cyclical evolution and actively pursue potential M&A prospects when the time is right.

In the long run, regardless of economic shifts, people’s pursuit of beauty and health will persist. As such, we remain committed to our industry and convinced of its long-term growth potential. Challenges posed by short-term market fluctuations can be turned into opportunities, and we are poised to seize them, enhancing our market share along the way.

Financial Review

Revenue

The Group generates revenue primarily from three service offerings: (i) beauty and wellness services; (ii) aesthetic medical services; and (iii) subhealth medical services. The Group’s revenue increased by 9.7% from RMB1,036.9 million for the six months ended June 30, 2023, to RMB1,137.7 million for the corresponding period in 2024.

The following table sets forth a breakdown of the Group's revenue by service offerings for the periods indicated:

	For the six months ended June 30,			
	2024		2023	
	Revenue	Revenue	Revenue	Revenue
	<i>RMB'000</i>	proportion	<i>RMB'000</i>	proportion
		%		%
Beauty and wellness services	622,418	54.7	547,705	52.8
— Direct stores	564,378	49.6	507,338	48.9
— Franchisee and others	58,040	5.1	40,367	3.9
Aesthetic medical services	441,327	38.8	439,869	42.4
Subhealth medical services	73,949	6.5	49,296	4.8
Total	1,137,694	100.0	1,036,870	100.0

Beauty and Wellness Services — Direct Stores

The Group provides beauty and wellness services to individual customers at direct stores and also generates revenue from sales of skincare products. The Group's revenue from beauty and wellness services of direct stores increased by 11.2% from RMB507.3 million in the first half of 2023 to RMB564.4 million for the corresponding period in 2024, which was primarily attributable to the increase in single store revenue, which effectively improved store operating efficiency.

Beauty and Wellness Services — Franchisee and Others

The Group mainly sells care products, instruments and equipment and consumables, etc. to its franchised stores. The revenue of the Group's beauty and wellness services generated from franchised stores and others increased from RMB40.4 million in the first half of 2023 to RMB58.0 million for the corresponding period in 2024, up 43.8% year-over-year, primarily due to the expansion of the Group's franchisee network and the introduction of new equipment and devices earlier this year.

Aesthetic Medical Services

The Group's revenue from aesthetic medical services slightly increased from RMB439.9 million in the first half of 2023 to RMB441.3 million for the corresponding period in 2024.

Subhealth Medical Services

Our subhealth medical services primarily focus on functional medicine and women's special care offerings. In the first half of 2024, the Group's revenue from subhealth medical services increased by 50.0% from RMB49.3 million in the first half of 2023 to RMB73.9 million for the corresponding period in 2024, mainly attributable to rapid growth of Women's Special Care Center business.

Cost of Sales and Services

The Group's cost of sales and services primarily comprise (i) costs of products and consumables used and related costs, representing the costs of procuring skincare products, injection materials and other consumer services; (ii) staff costs, representing wages, benefits and bonuses for business operation personnel; (iii) depreciation and amortization charges, which primarily include depreciation and amortization of leased properties and beauty equipment; and (iv) operation-related expenses, which primarily include property management fees, rental expenses for short-term leases and costs for utilities.

The Group's cost of sales and services increased from RMB558.8 million in the first half of 2023 to RMB603.5 million for the corresponding period in 2024, mainly due to (i) the increase in products and consumables used, reflecting business growth and increased service offerings; (ii) the increase in staff costs, which was due to the increase in salaries and staff headcount as a result of business growth; (iii) the increase in depreciation and amortization charges, which was due to the increase in leased properties as a result of store network expansion and store decoration and renovation; and (iv) the increase in operation-related expenses, as a result of the increase in property management fees and costs for utilities.

Gross Profit and Gross Profit Margin

The gross profit increased from RMB478.1 million in the first half of 2023 to RMB534.2 million for the corresponding period in 2024, and the overall gross profit margin increased from 46.1% in the first half of 2023 to 47.0% for the corresponding period in 2024. The increase was primarily attributable to (i) the increase in revenue due to growth in client visits; (ii) the dilution of fixed charges, such as labour costs, depreciation and amortization charges, due to economies of scale.

Selling Expenses

The Group's selling expenses increased from RMB166.9 million in the first half of 2023 to RMB189.7 million for the corresponding period in 2024, primarily due to (i) the increase in staff costs as a result of business growth; and (ii) the increase in promotion and marketing expenses as the Group continued to intensify promotions across online platforms.

R&D Expenses

The R&D expenses decreased from RMB17.2 million in the first half of 2023 to RMB16.3 million for the corresponding period in 2024, mainly due to the capitalization of certain R&D projects this year, which amounted to RMB3.7 million. The Group's ongoing investment in enhancing digitalization capability resulted in increased staff cost.

General and Administrative Expenses

The general and administrative expenses increased from RMB165.8 million in the first half of 2023 to RMB181.1 million for the corresponding period in 2024, primarily due to the increase in staff costs led by business growth.

Other Income

Other income decreased from RMB20.0 million in the first half of 2023 to RMB12.8 million for the corresponding period in 2024, mainly due to the decrease in government grants in 2024.

Income Tax Expenses

The income tax expenses of the Group increased from RMB32.3 million in the first half of 2023 to RMB34.4 million for the corresponding period in 2024, primarily due to the increase in profit before income tax resulting from business growth.

Profit for the Period

As a result of the above, the Group's net profit increased from RMB121.1 million in the first half of 2023 to RMB126.1 million for the corresponding period in 2024. Adjusted net profit increased from RMB131.2 million in the first half of 2023 to RMB131.8 million for the corresponding period in 2024.

Non-HKFRS Measures

To supplement the consolidated financial statements of the Group presented in accordance with HKFRS, the Company has presented adjusted net profit and adjusted net profit margin as non-HKFRS measures, which are not required by or presented in accordance with HKFRS. The Company believes that adjusted financial measures provide useful information to the Shareholders and potential investors to understand and evaluate the consolidated statement of profit or loss of the Group and assist the management of the Company in its decision making. The Company believes that by eliminating the effects of items that it believes are not indicative of the Group's operating performance, such adjusted financial measures assist the management of the Company and investors in evaluating the financial and operating performance of the Group for different periods on a comparable basis. However, these non-HKFRS measures should not be considered independently or as a substitute for financial information prepared and

presented in accordance with HKFRS. Shareholders and potential investors should not independently evaluate such adjusted results or regard it as a substitute for, or comparable to, performance reported or forecasted by other companies, as they may use similar terms with different meanings. In addition, these non-HKFRS measures have their limitations as analytical tools and may differ from similar measures used by other companies.

The Company provides the following additional information for reconciliation with the adjusted net profit under non-HKFRS.

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	126,067	121,120
Adjusted for:		
Share-based compensation expenses	5,770	10,097
Adjusted profit for the period (non-HKFRS measure)	131,837	131,217

Notes:

To better reflect the key performance of the Group's current business operations, the adjusted net profit under non-HKFRS is calculated based on net profit, but does not include share-based payment expenses, which are non-cash expenses incurred for the grant of share awards to certain management personnel and do not result in cash outflow.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal use of cash was for working capital purposes as well as for store expansion and acquisition. The main source of the Group's liquidity was generated from cash flows from operations. Going forward, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from operating activities, bank facilities and net proceeds from the Global Offering. As of June 30, 2024, the Group had cash and cash equivalents of RMB196.0 million and term deposits with initial terms of over three months of RMB486.1 million.

CASH FLOWS

The table below sets out specific figures from the Group's consolidated cash flow statements for the years indicated:

	For the six months ended	
	June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	222,442	222,307
Net cash used in investing activities	(195,893)	(653,397)
Net cash generated from/(used in) financing activities	(54,519)	337,205
Cash and cash equivalents at the beginning of the period	224,277	164,120
Cash and cash equivalents at the end of the period	196,022	82,688

In the first half of 2024, the Group generated RMB222.4 million in net cash from operating activities, slightly increased comparing to the corresponding period of last year. In the first half of 2024, the Group used net cash of RMB195.9 million in investing activities, mainly attributable to the RMB105.0 million payment of the Naturade acquisition and RMB87.8 million payment of newly acquisition of non-current asset, including beauty and wellness devices. The net cash used in investing activities for the corresponding period in 2023 was approximately RMB653.4 million, which was mainly for the purchase of financial assets at fair value through profit or loss and term deposits with initial terms of over three months. In the first half of 2024, the Group used net cash of RMB54.5 million in financing activities, mainly attributable to the payment of lease liabilities of RMB121.3 million, partially offset by the additional bank borrowings of RMB63.0 million. Net cash from financing activities for the corresponding period in 2023 amounted to approximately RMB337.2 million, mainly attributable to the proceeds of RMB506.5 million from issuance of ordinary shares of the Group upon the Global Offering, partially offset by the payment of lease liabilities of RMB120.8 million.

INDEBTEDNESS

The Group's indebtedness was mainly comprised of lease liabilities and bank borrowings. As of June 30, 2024, the Group had lease liabilities and outstanding interest-bearing bank borrowings of approximately RMB538.4 million and RMB63.1 million, respectively.

GEARING RATIO

The gearing ratio is calculated by dividing the total bank loans and other borrowings by the total equity as of the end of the period. As of June 30, 2024, the Group's gearing ratio was 2.3% (as of June 30, 2023: 1.6%).

CAPITAL COMMITMENTS

As of June 30, 2024, the Group had capital commitments of RMB8.9 million, primarily in connection with leasehold improvements.

ASSETS PLEDGED

As of June 30, 2024, the equity interest to certain subsidiaries were pledged to secure bank borrowings of the Group in the value of RMB63 million. Saved as disclosed, the Group have not pledged other major assets during the Reporting Period.

CONTINGENT LIABILITIES

As of June 30, 2024, the Company's subsidiaries had provided certain corporate guarantees and equity pledge guarantees to each other with respect to the borrowings. The Directors believe that the subsidiaries have sufficient financial resources to settle their debts.

SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

On March 26, 2024, Guangzhou Beauty Farm Healthy Research Co., Ltd. (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the Investment Agreement with Naturade Health Technology Co., Ltd. (the "Seller"), pursuant to which, among others, the Seller conditionally agreed to sell and the Purchaser conditionally agreed to acquire 70% of the entire equity interest of Guangzhou Naturade Health Management Co., Ltd. at a consideration of RMB350.0 million. For details, please refer to the announcements of the Company dated March 26, 2024, April 17, 2024 and April 18, 2024, respectively.

As of June 30, 2024, save as otherwise disclosed by the Company, the Group did not make any significant acquisitions or disposals of any subsidiaries, associated companies or joint ventures.

EXCHANGE RATES AND RELATED HEDGING

The Group mainly operates in mainland China and is exposed to foreign exchange risks arising from currency exposure with respect to U.S. dollars and HK dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Group does not hedge against any fluctuation in foreign currency.

FUTURE PLAN OF MATERIAL INVESTMENT OR ACQUISITION OF ASSETS

As of June 30, 2024, the Group had no future plans for any material investment or acquisition of capital assets.

EVENTS AFTER THE REPORTING PERIOD

On March 26, 2024, Guangzhou Beauty Farm Healthy Research Co., Ltd., a wholly-owned subsidiary of the Company, entered into an investment agreement with Naturade Health Technology Co., Ltd. to acquire 70% of the entire equity interest of Guangzhou Naturade Health Management Co., Ltd. for a cash consideration of RMB350.0 million. As of the date of this announcement, 75% of the total consideration (RMB262.5 million) had been paid. Guangzhou Naturade Health Management Co., Ltd. was included in the Group's consolidated financial statements from July 2024.

Save as disclosed above, the Company or the Group has not undertaken any material events after the Reporting Period and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Group had a total of 3,925 full-time employees. In the first half of 2024, the total employee welfare expenses amounted to RMB448.6 million, higher than RMB418.6 million in the first half of 2023, primarily due to the Group's business growth. In the first half of 2024, the Group's equity-settled share-based compensation expenses decreased to RMB5.8 million from RMB10.1 million in the first half of 2023.

The remuneration package of our employees includes basic salaries, allowances and bonuses. In particular, we have different grades for physicians, therapists and other service personnel to reflect their salaries and allowances, and they are also rewarded with bonuses based on their performance. Ranks and bonuses are assessed primarily on the basis of their performance in recognition of the quality of service they provide to our customers. Our employee development model allows us to track the career paths of our employees, who are required to participate in pre-employment training and attend new training prior to promotions or new service launches, as well as identify talent amongst our employees through a comprehensive analysis of customer feedback. At the same time, we offer long-term incentives to employees in core positions to recognize their significant contributions in areas such as customer service, innovation, and management.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

		Six months ended June 30,	
		2024	2023
	<i>Note</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Revenue	5	1,137,694	1,036,870
Cost of sales and services		(603,494)	(558,764)
Gross profit		534,200	478,106
Selling expenses		(189,700)	(166,916)
Research and development expenses		(16,261)	(17,184)
General and administrative expenses		(181,109)	(165,842)
Other income	6	12,849	20,030
Other expenses	6	(1,695)	(1,695)
Other gains	7	4,915	9,127
Provision for impairment losses on financial assets		(127)	(157)
Operating profit		163,072	155,469
Finance income	8	11,771	10,282
Finance costs	8	(14,352)	(12,294)
Finance costs — net	8	(2,581)	(2,012)
Profit before income tax		160,491	153,457
Income tax expenses	9	(34,424)	(32,337)
Profit for the period		126,067	121,120
Profit attributable to:			
Owners of the Company		115,421	111,830
Non-controlling interests		10,646	9,290
		126,067	121,120
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (<i>RMB</i>)	10	0.50	0.49
Diluted earnings per share (<i>RMB</i>)	10	0.50	0.49

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Note</i>	RMB'000	RMB'000
Profit for the period	126,067	121,120
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	(7)	(2)
Exchange differences on translation of financial statements	<u>3,669</u>	<u>35,891</u>
Other comprehensive income for the period, net of tax	<u>3,662</u>	<u>35,889</u>
Total comprehensive income for the period	<u><u>129,729</u></u>	<u><u>157,009</u></u>
Total comprehensive income attributable to:		
Owners of the Company	119,083	147,719
Non-controlling interests	<u>10,646</u>	<u>9,290</u>
	<u><u>129,729</u></u>	<u><u>157,009</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

June 30, 2024

		As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		356,707	370,973
Investment properties		66,060	67,755
Right-of-use assets		491,571	515,531
Intangible assets		71,983	79,978
Goodwill		217,527	217,527
Prepayments, deposits and other receivables	12	182,466	69,573
Other non-current assets		11,533	2,356
Financial assets at fair value through other comprehensive income		39	46
Investments in associates		249	249
Deferred income tax assets		35,790	42,114
Total non-current assets		1,433,925	1,366,102
Current assets			
Inventories		181,418	187,588
Trade receivables	12	39,027	31,011
Prepayments, deposits and other receivables	12	178,046	132,675
Financial assets at fair value through profit or loss		884,537	964,973
Restricted cash	13	10,587	10,451
Cash and cash equivalents	13	196,022	224,277
Term deposits with initial terms of over three months	13	486,146	384,929
Total current assets		1,975,783	1,935,904
Total assets		3,409,708	3,302,006
EQUITY			
Share capital		8	8
Treasury stock		—	(6,816)
Share premium		460,953	467,769
Other reserves		36,326	22,994
Retained earnings		332,211	317,941
Equity attributable to owners of the Company		829,498	801,896
Non-controlling interests		41,539	32,337
Total equity		871,037	834,233

		As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	14	56,700	—
Lease liabilities		361,462	393,777
Deferred tax liabilities		24,599	21,984
		<u>442,761</u>	<u>415,761</u>
Total non-current liabilities			
Current liabilities			
Trade payables	15	19,461	21,421
Other payables and accruals	16	264,811	224,662
Contract liabilities		1,498,231	1,492,514
Current tax liabilities		40,754	48,527
Borrowings	14	6,357	—
Lease liabilities		176,958	169,343
Other current liabilities		89,338	95,545
		<u>2,095,910</u>	<u>2,052,012</u>
Total current liabilities			
Total liabilities			
		<u>2,538,671</u>	<u>2,467,773</u>
Total equity and liabilities			
		<u>3,409,708</u>	<u>3,302,006</u>
Net current liabilities			
		<u>(120,127)</u>	<u>(116,108)</u>
Total assets less current liabilities			
		<u>1,313,798</u>	<u>1,249,994</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Equity attributable to owners of the Company					Non-		
		Share	Treasury	Other	Share	Retained	Total	controlling	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
								RMB'000	RMB'000
Balance at January 1, 2023	7	—*	2,098	84,358	102,284	188,747	14,362	203,109	
Profit for the period	—	—	—	—	111,830	111,830	9,290	121,120	
Other comprehensive loss	—	—	35,889	—	—	35,889	—	35,889	
Total comprehensive income	—	—	35,889	—	111,830	147,719	9,290	157,009	
Transactions with owners									
Issuance of ordinary shares upon global offering	1	—	—	506,544	—	506,545	—	506,545	
Listing fees through equity	—	—	—	(33,928)	—	(33,928)	—	(33,928)	
Capital injection from non-controlling interests	—	—	—	—	—	—	1,580	1,580	
Share-based payment expenses	—	—	10,097	—	—	10,097	—	10,097	
Transactions with non-controlling interests	—	—	(17,092)	—	—	(17,092)	1,153	(15,939)	
Dividends declared	11	—	—	(84,009)	—	(84,009)	—	(84,009)	
Treasury shares purchased	—	(4,059)	—	—	—	(4,059)	—	(4,059)	
	1	(4,059)	(6,995)	388,607	—	377,554	2,733	380,287	
Balance at June 30, 2023 (Unaudited)	8	(4,059)	30,992	472,965	214,114	714,020	26,385	740,405	

* Less than RMB1,000

Equity attributable to owners of the Company

	Share capital	Treasury stock	Other reserves	Share premium	Retained earnings	Total	Non- controlling interests	Total equity
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2024	<u>8</u>	<u>(6,816)</u>	<u>22,994</u>	<u>467,769</u>	<u>317,941</u>	<u>801,896</u>	<u>32,337</u>	<u>834,233</u>
Profit for the period	—	—	—	—	115,421	115,421	10,646	126,067
Other comprehensive income	—	—	3,662	—	—	3,662	—	3,662
Total comprehensive income	<u>—</u>	<u>—</u>	<u>3,662</u>	<u>—</u>	<u>115,421</u>	<u>119,083</u>	<u>10,646</u>	<u>129,729</u>
Transactions with owners								
Capital injection from non- controlling interests	—	—	—	—	—	—	350	350
Share-based payment expenses	—	—	5,738	—	—	5,738	32	5,770
Transactions with non- controlling interests	—	—	3,932	—	—	3,932	2,184	6,116
Dividends declared	<i>//</i>	—	—	—	(101,151)	(101,151)	(4,010)	(105,161)
Treasury stock cancelled	—*	6,816	—	(6,816)	—	—	—	—
	<u>—*</u>	<u>6,816</u>	<u>9,670</u>	<u>(6,816)</u>	<u>(101,151)</u>	<u>(91,481)</u>	<u>(1,444)</u>	<u>(92,925)</u>
Balance at June 30, 2024 (Unaudited)	<u>8</u>	<u>—</u>	<u>36,326</u>	<u>460,953</u>	<u>332,211</u>	<u>829,498</u>	<u>41,539</u>	<u>871,037</u>

* *Less than RMB1,000*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

		Six months ended June 30, 2024	2023
	<i>Note</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations		257,397	245,379
Income tax paid		(34,955)	(23,072)
Net cash inflow generated from operating activities		222,442	222,307
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		(112,242)	—
Purchases of property, plant and equipment and other non-current assets		(87,819)	(48,667)
Proceeds from sale of property, plant and equipment and other non-current assets		1,122	1
Proceeds from redemption of financial assets at FVPL		1,209,536	461,293
Purchase of financial assets at FVPL		(1,117,256)	(682,701)
Purchase of term deposits with initial terms of over three months		(359,518)	(473,896)
Maturity of term deposits with initial terms of over three months		270,284	90,573
Net cash used in investing activities		(195,893)	(653,397)
Cash flows from financing activities			
Proceeds from borrowings	14	63,000	—
Interest paid		(339)	—
Dividends paid		(4,010)	—
Payment of lease liabilities		(121,333)	(120,802)
Transactions with non-controlling interests		7,813	(15,939)
Initial public offering costs		—	(30,120)
Proceeds from issuance of ordinary shares upon global offering		—	506,545
Capital injection from non-controlling interests		350	1,580
Payments for repurchase of ordinary shares		—	(4,059)
Net cash (used in)/generated from financing activities		(54,519)	337,205
Net decrease in cash and cash equivalents		(27,970)	(93,885)
Cash and cash equivalents at beginning of the period		224,277	164,120
Exchange (losses)/gains on cash and cash equivalents		(285)	12,453
Cash and cash equivalents at end of the period	13	196,022	82,688

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

1 GENERAL INFORMATION OF THE GROUP AND BASIS OF PRESENTATION

1.1 General information

Beauty Farm Medical and Health Industry Inc. (the “Company”) was incorporated in the Cayman Islands on February 10, 2022. The address of its registered office is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in providing beauty and health management service, including beauty and wellness services, aesthetic medical services as well as subhealth medical services in the People’s Republic of China (the “PRC”). The ultimate controlling parties of the Group are Mr. Li Yang (“Mr. Li”), Ms. Li Fangyu (“Ms. Li”), Mr. Lian Songyong, Ms. Niu Guifen, Mr. Cui Yuanjun and Mr. Yuan Huimin (together as the “Controlling Shareholders”), who are parties acting in concert and have been collectively controlling the Group.

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on January 16, 2023 (the “Listing”).

These condensed consolidated financial statements are presented in thousands of Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on August 27, 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of material accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied throughout the Reporting Period, unless otherwise stated.

2.1 Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The unaudited interim condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.

2.2 New standards and interpretations adopted by the Group

The Group has applied the following new accounting standards, amendments to accounting standards and interpretations for the first time for their interim reporting period commencing January 1, 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants — Amendments to HKAS 1
- Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — HK Int 5 (Revised)
- Lease Liability in Sale and Leaseback — Amendments to HKFRS 16
- Supplier Finance Arrangements — Amendments to HKAS 7 and HKFRS 7

The adoption of the new standards and amendments listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2023.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and chief financial officer. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources.

The executive committee has determined that no business segment information is presented as all business segments are with similar economic characteristics.

The executive committee has also determined that no geographical segment information is presented as all business performance are generated from the PRC.

5 REVENUE & CONTRACT LIABILITIES

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the service at a point in time and over time and the transfer of goods at a point in time in the following major revenue streams:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Beauty and wellness services		
— Direct stores (at a point in time)		
— Services	533,986	472,987
— Product Sales	30,392	34,351
— Franchised and others		
— Product sales (at a point in time)	53,795	38,070
— Franchise fee (over time)	4,245	2,297
	<u>622,418</u>	<u>547,705</u>
Subtotal		
Aesthetic medical services		
— recognised at a point in time	441,327	439,869
Subhealth medical services		
— Services recognised at a point in time	55,059	33,454
— Services recognised over time	18,890	15,842
	<u>73,949</u>	<u>49,296</u>
Subtotal		
Total	<u><u>1,137,694</u></u>	<u><u>1,036,870</u></u>

Revenues from external customers come from the rendering of service and sales of the products including beauty and wellness services, aesthetic medical services and subhealth medical services.

Subhealth medical services recognised over time are cooperation fee received from Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd. Such services include customer referral and consulting services, logistics arrangement services, customer post-treatment caring services rendered to Hainan Qiyan Stem Cell Anti-aging Hospital Co., Ltd.

No significant revenue comes from a single external customer. There is no customer contributing more than 10% of revenue. Most of the Group's customers are individuals, which are widely distributed.

The Group is domiciled in the PRC. The majority of its sales from external customers are generated in the PRC.

(b) **Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
Contract liabilities — services and product sales	<u>1,498,231</u>	<u>1,492,514</u>

The Group classified these contract liabilities as current because the Group does not have an unconditional right to defer for at least 12 months after the reporting period.

The products are sold on a prepaid basis. When the franchised stores prepay for a product, the relevant payment is recorded as contract liabilities in the consolidated balance sheets until the Group recognizes revenue upon delivery of products to the franchised stores.

6 OTHER INCOME AND OTHER EXPENSES

	Six months ended June 30, 2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Other income		
Government grants	8,238	16,151
Rental income	4,383	3,688
Others	<u>228</u>	<u>191</u>
	<u>12,849</u>	<u>20,030</u>
Other expenses		
Direct cost in relation to the rental income	<u>1,695</u>	<u>1,695</u>

Government grants mainly represent subsidies from governments as industry support, contributions of the Group to employment stabilization and exemption on valued-added tax granted by the government authority in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 OTHER GAINS — NET

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net fair value gains on financial assets at FVPL	10,843	9,794
Net losses on disposal of property, plant and equipment	(348)	(881)
Net foreign exchange (losses)/gains	(700)	575
Others	(4,880)	(361)
	<u>4,915</u>	<u>9,127</u>

8 FINANCE COSTS — NET

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	<u>11,771</u>	<u>10,282</u>
Finance costs		
Interest expense		
— Interest charges on borrowings	(396)	—
— Interest charges on lease liabilities	<u>(13,956)</u>	<u>(12,294)</u>
Finance costs — net	<u>(2,581)</u>	<u>(2,012)</u>

9 INCOME TAX EXPENSES

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	25,485	23,294
Deferred income tax	<u>8,939</u>	<u>9,043</u>
Income tax expense	<u>34,424</u>	<u>32,337</u>

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) Hong Kong Profits Tax

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% on any estimated assessable profits arising in Hong Kong.

(c) PRC corporate income tax (“CIT”)

PRC CIT was calculated on the taxable profit for the years at the rates of taxation prevailing in the PRC.

CIT was levied at the reduced rate of 15% for new/high-tech subsidiaries. Certain subsidiaries of the Group met the definition of STE (Small and Thin-profit Enterprises) and entitled to a reduced corporate income tax rate of 5% (Six months ended June 30, 2023: 5%). Certain subsidiaries of the Group are eligible for the Western Development Preferential Policy documents and entitled to a reduced corporate income tax rate of 15%.

The Company and its subsidiaries, except for STE, new/high tech subsidiaries and Western Development Preferential Policy subsidiaries and those incorporated in Cayman Islands and Hong Kong, are generally subject to the PRC standard corporate income tax rate of 25% (Six months ended June 30, 2023: 25%).

10 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each year. The weighted average number of ordinary shares is calculated based on the assumption that 99,800,000 shares, excluding 3,092,784 treasury shares held for employee share scheme and 200,000 shares issued and allotted to ZYLot Holdings, issued upon the incorporation of the Company in connection with the Reorganisation were deemed to have been in issue since January 1, 2019.

On January 16, 2023, the Company conducted a 1 to 2 share split and each existing share was split into 2 shares. The calculation of basic and diluted earnings per share for all periods presented was retrospectively adjusted.

On January 16, 2023, the Company was listed on Main Board of The Stock Exchange of Hong Kong Limited with the global offering in Hong Kong of 24,395,500 shares.

On February 5, 2023, pursuant to the partial exercise of the over-allotment option by the joint international underwriters of the initial public offering, the Company issued and subscribed an additional 6,080,000 shares.

As of June 30, 2024, the Company cumulatively repurchased 865,500 outstanding ordinary shares with a total consideration of RMB12,012,000, among which 255,500 shares were cancelled on August 31, 2023 and 610,000 shares were cancelled on February 21, 2024.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to Owners of the Company (<i>RMB'000</i>)	115,421	111,830
Weighted average number of ordinary shares in issue	229,610	227,177
Basic earnings per share (<i>expressed in RMB per share</i>)	0.50	0.49

(b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account of share options granted to the employees that would have been outstanding assuming the vesting of all dilutive potential ordinary shares.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to Owners of the Company (<i>RMB'000</i>)	115,421	111,830
Weighted average number of ordinary shares in issue	229,610	227,177
Adjustments for calculation of diluted earnings per share:	66	1,664
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	229,676	228,841
Diluted earnings per share for profit attributable to the Owners of the Company during the year (<i>expressed in RMB per share</i>)	0.50	0.49

11 DIVIDENDS

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared	105,161	84,009

12 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
Trade receivables		
Trade receivables (a)	41,699	33,425
Less: provision for impairment	<u>(2,672)</u>	<u>(2,414)</u>
Total trade receivables	<u>39,027</u>	<u>31,011</u>
Included in current assets		
Prepayments, deposits and other receivables		
Prepayments for procurement of inventories and operating expenses	76,930	43,795
Amount due from related parties	44,773	34,433
Deposits — current portion	19,482	19,974
Other current assets	9,484	8,592
Other receivables	28,590	27,220
Less: provision for impairment	<u>(1,213)</u>	<u>(1,339)</u>
Total prepayments, deposits and other receivables — current portion	<u>178,046</u>	<u>132,675</u>
Included in non-current assets		
Deposits and other receivables		
Deposits — non-current portion	70,414	69,668
Prepayment for equity investment	112,142	—
Less: provision for impairment	<u>(90)</u>	<u>(95)</u>
Total	<u>182,466</u>	<u>69,573</u>

(a) Aging analysis of trade receivables

The majority of the Group's sales are settled through credit cards or e-pay applications against payment. At June 30, 2024 and December 31, 2023, the aging analysis of the trade receivables from contracts with customers receivables as at the balance sheet dates based on invoice date was as follows:

	As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
Up to 1 year	33,189	29,273
Between 1 and 2 years	7,517	3,575
Between 2 and 3 years	455	419
Over 3 years	538	158
	<u>41,699</u>	<u>33,425</u>

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
Cash and bank balances		
— Cash on hand	207	1,013
— Cash at bank	692,548	618,644
	<u>692,755</u>	619,657
Less: restricted cash (a)	(10,587)	(10,451)
term deposits with initial terms of over three months	(486,146)	(384,929)
	<u>196,022</u>	<u>224,277</u>

- (a) Restricted cash are bank deposits placed by the Group with a bank as a security for prepaid cards issued to customers and are not available for other use by the Group.

(b) The cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
RMB	273,146	300,720
USD	219,782	75,522
HKD	198,887	241,205
EUR	940	2,210
	<u>692,755</u>	<u>619,657</u>

14 BORROWINGS

	As at June 30, 2024 (Unaudited) RMB'000	As at December 31, 2023 (Audited) RMB'000
<i>Current</i>		
Bank loan — secured	<u>6,357</u>	—
<i>Non-current</i>		
Bank loan — secured	<u>56,700</u>	—
Total	<u>63,057</u>	—

In April 2024, the Group signed a merger and acquisition loan contract with China Merchants Bank. The total amount of the loan is RMB210,000,000 with variable interest rate, of which RMB63,000,000 were drawn down as at June 30, 2024.

The loan is guaranteed by Guangzhou Beauty Farm Healthy Research Co., Ltd., a subsidiary of the Company and pledged by 100% and 70% of Group's equity interests in Guangzhou Beauty Farm Healthy Research Co., Ltd. and Guangzhou Naturade Health Management Co., Ltd., respectively.

At June 30, 2024 and December 31, 2023, the Group's borrowings were repayable as follows:

	As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
Within 1 year	6,357	—
Between 1 and 2 years	9,450	—
Between 2 and 5 years	28,350	—
Over 5 years	18,900	—
	<u>63,057</u>	<u>—</u>

15 TRADE PAYABLES

	As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
Trade payables		
— Third parties (a)	<u>19,461</u>	<u>21,421</u>

Trade payables are usually paid within 30 days of recognition. The Group's trade payables mainly include payments for finished goods. The credit term for finished goods is usually within 30 days.

(a) The aging analysis of trade payables as at June 30, 2024 and December 31, 2023 based on invoice date was follows:

	As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
Within 1 year	16,594	19,758
Between 1 and 2 years	1,424	506
Over 2 years	1,443	1,157
	<u>19,461</u>	<u>21,421</u>

16 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2024 (Unaudited) <i>RMB'000</i>	As at December 31, 2023 (Audited) <i>RMB'000</i>
Other payables and accruals		
Dividend payable	101,151	—
Employee benefits payables (a)	99,402	119,253
Franchisee deposits	24,613	21,887
Accrual expenses	10,542	13,496
Payables for purchasing of property, plant and equipment	7,983	33,544
Taxes payables	6,508	11,192
Listing expenses payable	963	963
Others	13,649	24,327
	<u>264,811</u>	<u>224,662</u>
Total other payables and accruals	<u>264,811</u>	<u>224,662</u>

(a) Employee benefits payables

The employee benefits payables represented payables for employee salaries for December 2023 and for June 2024, and accrual for bonuses and social welfare benefits.

The carrying amounts of trade and other payables and accruals are considered to approximate their fair values due to their short-term nature.

OTHER INFORMATION

Interim Dividend

The Board did not declare the payment of interim dividend for the Reporting Period (six months ended June 30, 2023: Nil).

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Guided by the above corporate culture, the Company has adopted the code provisions of the CG Code as its own corporate governance practices.

The Company had complied with all code provisions set out in Part 2 of the CG Code during the Reporting Period.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Having made specific enquiries of all the Directors, they have confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities of the Company

On February 21, 2024, an aggregate of 610,000 Shares repurchased by the Company from August 2023 to November 2023 were cancelled.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results and Interim Report

The Audit Committee consists of one non-executive Director and two independent non-executive Directors being Mr. LIU Teng, Mr. FAN Mingchao and Ms. LI Fangyu, with Mr. LIU Teng being the chairperson of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The Audit Committee, together with the management of the Company, has jointly reviewed the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited interim condensed consolidated financial statements and the interim report of the Group for the Reporting Period, and is of the view that the unaudited interim results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Publication of the Condensed Consolidated Interim Results and 2024 Interim Report

This announcement is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Investor Relations of the Company at <https://ir.beautyfarm.com.cn>. The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Investor Relations of the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Audit Committee”	the audit committee of the Board
“Beauty Farm”, “Group”, “our Group”, “our”, “we”, or “us”	the Company and its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it

“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the “Corporate Governance Code” as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company” or “our Company”	Beauty Farm Medical and Health Industry Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands on February 10, 2022
“Director(s)”	the director(s) of the Company or any one of them
“Dual-Beauty Business Model”	a unique business model developed by Beauty Farm over the past 30 years, attracts quality customers through its nationwide beauty & wellness network, builds customer brand loyalty and discovers in-depth customer needs. The Company provides aesthetic medical services and subhealth medical services to meet its customers’ upgraded needs throughout their customer life cycle
“EUR”	Euro, the lawful currency of the member states of the European Union
“Frost & Sullivan Industry Report”	The industry report commissioned by the Company and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which were set forth in the prospectus of the Company dated December 30, 2022
“Global Offering”	the Hong Kong Public Offering and the International Offering, details of which are set forth in the Prospectus
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“M&A”	mergers and acquisitions
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix C3 to the Listing Rules
“Naturade”	Guangzhou Naturade Health Management Co., Ltd. (廣州奈瑞兒健康管理有限公司), a company incorporated in the PRC with limited liability on March 18, 2024
“Prospectus”	the prospectus of the Company dated December 30, 2022
“R&D”	Research and development
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of US\$0.000005 each
“Shareholder(s)”	holder(s) of the Share(s)
“SKU”	stock keeping unit(s), a distinct type of item for sale, such as a product or service, and all attributes associated with the item type that distinguish it from other item types
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed thereto under the Listing Rules
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States

“0%”

per cent

By Order of the Board
Beauty Farm Medical and Health Industry Inc.
Li Yang
Chairman and executive Director

Hong Kong, August 27, 2024

As at the date of this announcement, the Board comprises Mr. Li Yang as Chairman and executive Director, Mr. Lian Songyong as Vice Chairman and executive Director, Mr. Hu Tenghe, Mr. Geng Jiaqi and Ms. Li Fangyu as non-executive Directors and Mr. Fan Mingchao, Mr. Liu Teng and Mr. Jiang Hua as independent non-executive Directors.