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贝黎诗
PALAISPA

CellCare
[秀|可|儿|医|美]

NEOLOGY
研源医疗

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, 2023

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022 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
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(audited)	
Number of active members served at our direct stores	73,919	60,956	21.3%
Number of client visits of direct stores	613,668	460,241	33.3%
Revenue	1,036,870	734,318	41.2%
Gross profit	478,106	314,029	52.5%
Gross profit margin	46.1%	42.8%	3.3%
Net profit	121,120	19,849	510.2%
Adjusted net profit (non-HKFRS measure)	131,217	50,641	159.1%
Adjusted net profit margin (non-HKFRS measure)	12.7%	6.9%	5.8%
	<i>RMB</i>	<i>RMB</i>	
Earnings per share			
Basic	0.49	0.08	
Diluted	0.49	0.08	
Adjusted earnings per share			
Basic	0.54	0.23	
Diluted	0.53	0.23	

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

The Group is the largest provider of traditional beauty services and aesthetic medical services in China. The Group provides customers with diversified services, covering traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention services that are all personalized to serve our clients' health and beauty desire.

Since the establishment of its flagship brand BeautyFarm (美麗田園) in 1993, the Group has gradually developed multiple chain brands, namely, Palaispa (貝黎詩), CellCare (秀可兒) and Neology (研源). The Group has built a national direct store network, which consisted of 196 direct stores including 92 stores in tier-one cities and 80 stores in new tier-one cities, as of June 30, 2023. In addition, our extensive national store network included 194 stores operated by our franchisees as of the same date.

Looking back to the first half of 2023, although affected by the effect of the COVID-19 pandemic in January, the Group has fully leveraged its efficient organisational capabilities to meet customers' needs after the pandemic by providing a comprehensive service portfolio, which has resulted in a rapid recovery of our business and further expansion of our active customer base. For the six months ended June 30, 2023, our direct stores served 73,919 active members, representing an increase of 21.3% as compared with the same period in 2022, of which the number of new active members in the current period increased by 54.3% as compared with the same period last year. The increase in the number of new active members was mainly due to the further improvement of customer acquisition efficiency brought about by digital investment. Our channels for acquiring customers can be divided into offline and online. Offline channels are mainly from high-end shopping malls where the stores are located. Benefitting from our superior store location and extensive store distribution, we can become the preferred choice of customers when spending offline. Online channels are divided into public domains of e-commerce platforms, as well as private domains such as WeCom and WeChat mini programs. Through online customer acquisition methods such as live broadcasts, we attract traffic from the public domain to our private domain, and provide suitable services based on the needs of customers.

For the six months ended June 30, 2023, the number of client of direct stores made a total of 613,668 visits with an average of 6.6 visits despite the impact of the pandemic at the beginning of the year and an average spending of RMB12,882. For the six months ended June 30, 2023, 79.6% of our active members made multiple purchases of our services. In addition, 73.2% of our active members in 2019 still made multiple purchases of our services from 2020 to June 30, 2023, demonstrating the high stickiness of our customers. In addition to our increasing client volume in direct stores, our franchised stores served 29,906 active members for the six months ended June 30, 2023, which increased by 28.3% as compared with the same period in 2022.

	For the six months ended			Change	
	June 30,			2023 as	2023 as
	2023	2022	2021	compared	compared
				to the	to the
				same	same
				period in	period in
				2022	2021
Direct stores					
Number of client visits	613,668	460,241	503,734	33.3%	21.8%
Number of active members served	73,919	60,956	59,602	21.3%	24.0%
Number of non-members served	66,763	54,647	54,044	22.2%	23.5%
Number of visits per active member	6.6	5.9	6.8		
Average spending per active member (<i>RMB</i>)	12,882	10,736	12,814		

For the six months ended June 30, 2023, the Group's revenue was RMB1,036.9 million, representing an increase of 41.2% as compared with RMB734.3 million in the same period in 2022. For the six months ended June 30, 2023, the gross profit was RMB478.1 million, with a gross profit margin of 46.1%, representing an increase of 3.3 percentage points as compared with 42.8% in the same period in 2022. The increase in revenue and gross profit was mainly due to the recovery of client visits and the increase in the number of active members after the pandemic. In addition to the above reasons, the recovery in gross profit margin was also attributable to the further increase in the proportion of revenue from aesthetic medical services.

The following table sets forth a breakdown of the Group's revenue, gross profit and gross profit margin by business lines for the periods indicated:

	For the six months ended June 30,												Change			
	2023				2022				2021				2023 as compared to the same period in 2022	2023 as compared to the same period in 2021		
	Revenue <i>RMB'000</i>	%	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue <i>RMB'000</i>	%	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue <i>RMB'000</i>	%	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue	Gross profit	Revenue	Gross profit
Traditional beauty services																
— Direct stores	507,338	48.9	188,945	37.2	383,044	52.2	119,542	31.2	423,223	50.5	155,921	36.8	32.4%	58.1%	19.9%	21.2%
— Franchised stores	40,367	3.9	22,876	56.7	44,998	6.1	28,694	63.8	45,989	5.5	21,994	47.8	-10.3%	-20.3%	-12.2%	4.0%
Aesthetic medical services	439,869	42.4	242,586	55.1	275,556	37.5	154,216	56.0	338,634	40.5	201,485	59.5	59.6%	57.3%	29.9%	20.4%
Subhealth assessment and intervention services	49,296	4.8	23,699	48.1	30,720	4.2	11,577	37.7	28,984	3.5	9,551	33.0	60.5%	104.7%	70.1%	148.1%
Total	1,036,870	100.0	478,106	46.1	734,318	100.0	314,029	42.8	836,830	100.0	388,951	46.5	41.2%	52.2%	23.9%	22.9%

Traditional Beauty Services

For the six months ended June 30, 2023, the revenue generated from traditional beauty services of the Group was RMB507.3 million, representing an increase of 32.4% as compared to the same period of the previous year. The traditional beauty services of the Group primarily include facial and body care service procedures intended to improve skin condition and overall physical well-being of our clients, which are non-medical and non-invasive in nature. Based on the efforts and commitment of the Group, the number of members of the Group continues to grow. For the six months ended June 30, 2023, the number of members of the Group's traditional beauty services was 71,787, representing an increase of 20.4% as compared to the same period of the previous year. Overcoming the impact of the pandemic at the beginning of the year, both the average spending per active member and visit per active member of 6.2 visits experienced increase, being higher than the 5.5 visits during the same period in 2022.

	For the six months ended June 30,			Change	
	2023	2022	2021	2023 as compared to the same period in 2022	2023 as compared to the same period in 2021
Number of client visits	570,524	431,762	474,133	32.1%	20.3%
Number of active members served	71,787	59,632	58,332	20.4%	23.1%
Average spending per active member (<i>RMB</i>)	6,693	6,008	6,899		
Number of visits per active member	6.2	5.5	6.4		

Aesthetic Medical Services and Subhealth Assessment and Intervention Services

The Group win client trust through our traditional beauty services, and then extend to aesthetic medical services and subhealth assessment and intervention services across the full client life cycle. Our clients have a long history of trusting our consistent service quality and brand characteristics, and this has resulted in us attracting more clients in accepting our aesthetic medical services and subhealth assessment and intervention services to meet their needs on beauty and health. For the six months ended June 30, 2023, 23.4% of the members of our traditional beauty services purchased aesthetic medical services or subhealth assessment and intervention services, representing an increase of 2.2 percentage points as compared with the six months ended June 30, 2022, which is expected to further grow in the future.

Aesthetic medical services of the Group mainly provide non-surgical services, such as energy-based services and injection services. For the six months ended June 30, 2023, the revenue of aesthetic medical services of the Group was RMB439.9 million, representing an increase of 59.6% as compared to the same period of the previous year. The number of members of the Group's aesthetic medical services was 17,032, representing an increase of 36.5% as compared with the same period of the previous year. The following table sets forth a breakdown of the operating data of aesthetic medical services for the periods indicated:

	For the six months ended			Change	
	June 30,			2023 as	2023 as
	2023	2022	2021	compared	compared
				to the	to the
				same	same
				period in	period in
				2022	2021
Number of client visits	34,880	23,861	25,272	46.2%	38.0%
Number of active members served	17,032	12,476	11,786	36.5%	44.5%
Average spending per active member (<i>RMB</i>)	25,732	22,087	28,732		
Number of visits per active member	2.0	1.9	2.1		

With the increase of clients' concern on health in the post-pandemic era, the Group's subhealth assessment and intervention services continued to maintain rapid growth. For the six months ended June 30, 2023, the revenue of subhealth assessment and intervention services (See note) was RMB33.5 million, representing an increase of 62.8% as compared to the same period of the previous year. For the six months ended June 30, 2023, the number of members of the Group's subhealth assessment and intervention services was 2,710, representing an increase of 57.3% as compared with the same period of the previous year. The following table sets forth a breakdown of the operating data of subhealth assessment and intervention services for the periods indicated:

	For the six months ended			Change	
	June 30,			2023 as	2023 as
	2023	2022	2021	compared	compared
				to the	to the
				same	same
				period in	period in
				2022	2021
Number of client visits	8,264	4,618	4,329	79.0%	90.9%
Number of active members served	2,710	1,723	1,717	57.3%	57.8%
Average spending per active member (RMB)	12,345	11,930	13,220		
Number of visits per active member	3.0	2.7	2.5		

Note: Excluding the cooperation fee related to subhealth assessment and intervention services, as it could not be properly attributed to any specific store.

2. Business Development

a. Expanding store network

As of June 30, 2023, the Group's extensive store network included 196 direct stores and 194 franchised stores. During the Reporting Period, the Group opened eight new direct stores independently, including six traditional beauty service stores, and established one Cellcare store and one Neology healthcare centre in Hefei and Changchun, respectively. In addition, the Group upgraded 12 traditional beauty service stores, three Cellcare stores, and one Neology healthcare centre. While actively expanding its direct stores, the Group has also continued to expand its franchisee network. For the six months ended June 30, 2023, the Group opened 14 new franchised stores.

	For the six months ended June 30, 2023	
	Direct stores	Franchised stores
Number of stores at the beginning of the period	189	189
+ Number of newly opened self-built stores	8	14
+ Number of acquired stores	3	(3)
– Number of closed stores	4	6
	196	194
Number of stores at the end of the period	196	194

Looking forward to the second half of 2023, we will expand and upgrade our store network and continue to develop our business through further penetration in the cities where we operate. It is expected that approximately 30 new direct and franchised stores will be opened in the second half of the year.

b. Mergers and acquisitions as well as strategic investments

The Group has also continued to strengthen our market position and actively expand our customer base through mergers and acquisitions as well as strategic investments. In May 2023, Shanghai Beauty Farm made the strategic investment in Chengdu Youlan (成都幽蘭) brand at a consideration of RMB4 million. Upon completion of the investment restructuring, the Group would hold 20% equity interest in the relevant business project company. The Group would cooperate with Chengdu Youlan (成都幽蘭) to further secure and enhance the Group's regional market position in Chengdu, so as to achieve further development in the region.

In June 2023, Shanghai Beauty Farm completed the acquisition of three Changsha franchised stores at RMB7 million. After the reorganisation, the Group would hold 51% equity interest in the relevant business project company and the results of the franchisee in Changsha would be consolidated into the consolidated financial statements of the Group. The acquisition signifies the Group's expansion of direct operations in Changsha, along with the Group's medical institution, further deepening its development in the region.

For further details of strategic investment in Chengdu Youlan (成都幽蘭) and acquisition of franchise business in Changsha, please refer to the Company's announcements dated June 20, 2023 and July 11, 2023 respectively.

Going forward, while continuing to carry out mergers and acquisitions and investments of lifestyle cosmetic industry, we will also focus on mergers and acquisitions and investments of brands in healthcare to enrich our product line and better satisfy the needs of our customers.

c. Promoting product and service innovation

The Group has been committed to providing customers with a high standard of facial care services. At the same time, we continued to develop healthcare projects based on the needs of our customers. During the Reporting Period, we introduced a new nursing care project related to improving sleep disorders and regulating the gastrointestinal tract. The project, which is based on the traditional medicine theory, combines manual massage, meridian conditioning and beeswax dredging through technology to heat and nourish the customers to bring them a better experience, but also to regulate the system and viscera function, which can improve sleep disorders, regulate the gastrointestinal balance, and restore physical health. In addition, we observed that a significant number of our clients increasingly engaged in eye-straining activities, as such, we launched a series of anti-fatigue eye care service project when appropriate to help customers improve their quality of sight.

For aesthetic medical services, we are committed to focusing on customers and seeking more personalised and integrated solutions for customers. In the first half of 2023, we combined the “TimeSo Micro Aesthetics” (TimeSo微美學) and the injection service, taking “fractal aesthetics, sequential diagnosis and treatment” (分形塑美、分序診療) as the core concept, starting from aesthetics, and adding hierarchical anti-aging diagnosis and treatment ideas and treatment sequence to help customers discover their own beauty logic. Applying the continuously upgraded medical services and treatment technology, we were able to achieve the long-term beauty value of “micro-change, big difference” (微改變、大不同).

Our subhealth assessment and intervention services also have been developing continuously. We have not only optimized the functional medicine project to improve the service quality, but also successfully developed and launched the women's pelvic floor health project in the Special Care Centre for Women, further expanding our service scope. In addition, we are planning an energy intervention centre. By introducing international advanced energy intervention technology and equipment, we make use of physical energy technology to revive and maintain cell self-renewal, signal transduction and other functions, aiming at non-invasively and painlessly assisting clients in solving health problems caused by aging as a result of energy imbalance. By focusing on clients of different ages and health states, Neology healthcare continues to integrate leading biotechnology and professional diagnostic and therapeutic methodologies globally to comprehensively improve clients' subhealth issues, so as to enhance their quality of life.

d. Digital investments achieved results

For the six months ended June 30, 2023, we continued to iterate and improve the innovative online-offline integrated operation platform that is unique in the industry. With the help of digital tools and based on customer stratification, store classification and project classification, we can more accurately understand the needs of customers, and then reach customers more efficiently through the Beautyfarm WeChat applet and the customer management function in WeCom, thus further strengthening the ability to recruit new customers, while optimizing the cultivation and retention of existing members, providing sustained impetus for the Group to consolidate its leading position in the market.

In addition, during the Reporting Period, the Group launched its self-developed applet in WeCom to continuously strengthen its online organisation and comprehensively enhance its business operation capability, customer management capability, business decision-making capability as well as operational efficiency. Through this applet, employees can immediately understand their current performance and customer satisfaction, and better improve their service quality and plan their career development and promotion path.

e. Integrating industry resources to enhance industry influence

During the Reporting Period, the Group has entered into strategic cooperation with a reputable skin management brand and a leading scalp care brand. Pursuant to the strategic cooperation framework agreement, the Group would fully carry out strategic cooperation in areas such as brand, business and research and development, while exploring new project research and development and seeking cooperation opportunities in medical aesthetics and medical health and other areas. Both parties would leverage their strengths in their respective fields, establish close cooperation based on the concept of openness, collaboration and win-win co-operation, and jointly explore for more and improved solutions. For details, please refer to the Company's announcement dated June 26, 2023.

During the Reporting Period, we were engaged in organizing certain study tour lectures and integrated with over 100 organisations within the industry. We hope to empower the industry and promote its common development through greater openness and transparency of the industry.

3. Financial Review

Revenue

The Group generates revenue primarily from three service offerings: (i) traditional beauty services to individual customers at our direct stores; (ii) aesthetic medical services primarily focused on non-surgical procedures; and (iii) subhealth assessment and intervention services. The Group also generates revenue from sales of skincare products (including product sales to customers in direct stores, and to franchised stores and others). Besides that, the Group also earns franchise fees from our franchisees. In addition, the Group earns cooperation fee in relation to subhealth assessment and intervention services.

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,						Change	
	2023 RMB'000	%	2022 RMB'000	%	2021 RMB'000	%	2023 as compared to the same period in 2022	2023 as compared to the same period in 2021
Traditional beauty services								
— Direct stores	507,338	48.9	383,044	52.2	423,223	50.6	32.4%	19.9%
— Franchisee	40,367	3.9	44,998	6.1	45,989	5.5	-10.3%	-12.2%
Aesthetic medical services	439,869	42.4	275,556	37.5	338,634	40.5	59.6%	29.9%
Subhealth assessment and intervention services	49,296	4.8	30,720	4.2	28,984	3.5	60.5%	70.1%
Total	1,036,870	100.0	734,318	100.0	836,830	100.0	41.2%	23.9%

The Group's business has grown rapidly after recovering from the negative impact of the pandemic. The Group's revenue increased by 41.2% from RMB734.3 million for the six months ended June 30, 2022 to RMB1,036.9 million in the same period in 2023.

Traditional Beauty Services — Direct Stores

The Group's revenue from traditional beauty services of direct stores increased by 32.4% from RMB383.0 million in the first half of 2022 to RMB507.3 million for the corresponding period in 2023, which was primarily attributable to the growing influence of the Company's brands and the Company's full use of digital tools to better meet the needs of customers, resulting in a significant increase in the number of members and client visits after the pandemic.

Traditional Beauty Services — Franchisee and Others

The Group's revenue from traditional beauty services of franchised stores and others decreased from RMB45.0 million in the first half of 2022 to RMB40.4 million for the corresponding period in 2023, primarily due to the decrease in the number of new franchised stores as compared with that for the corresponding period in the previous year, and the Group's acquisition of franchised stores in Changsha.

Aesthetic Medical Services

The Group's revenue from aesthetic medical services increased by 59.6% from RMB275.6 million in the first half of 2022 to RMB439.9 for the corresponding period in 2023, primarily due to the increase in penetration from traditional beauty services to aesthetic medical services and rapid growth in client visits by providing a comprehensive service portfolio that meets the needs of customers after the pandemic.

Subhealth Assessment and Intervention Services

The Group's revenue from subhealth assessment and intervention services increased by 60.5% from RMB30.7 million in the first half of 2022 to RMB49.3 million for the corresponding period in 2023, primarily due to customers' increasing concern on their own health in the post-pandemic era and the increase in the number of members served and client visits as we continue to observe customers' needs and introduced better services in line with their needs.

Same-Store Sales

The Group closely tracks the revenue generated by our direct stores and our same-store sales growth, in order to monitor how matured stores have performed over time. The following table sets forth details of the Group's same-store sales for the periods indicated:

	For the six months ended June 30,			
		2023	2022	
	Number of	Sales	Sales	Change
	same-stores	amount	amount	
		RMB'000	RMB'000	
Traditional beauty service stores				
— Newly-established stores	27	56,047	41,487	35.1%
— Developing stores	48	122,180	89,350	36.7%
— Matured stores	72	308,435	247,492	24.6%
CellCare stores	18	428,615	275,556	55.5%
Neology healthcare centres	5	30,307	20,555	47.4%
Total	170	945,584	674,440	40.2%

COST OF SALES AND SERVICES

The cost of sales and services of the Group primarily consists of (i) costs of products and consumables used, representing the costs of procuring skincare products, injection materials and other service consumables; (ii) staff costs, representing wages, benefits and bonuses for our business operation personnel; (iii) depreciation and amortisation charges, which primarily include depreciation and amortisation 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 cost of sales and services of the Group increased from RMB420.3 million for the six months ended June 30, 2022 to RMB558.8 million for the six months ended June 30, 2023, mainly due to (i) the increase in staff costs, which was due to the increase in salaries and staff headcount as a result of the business growth; (ii) the increase in products and consumables used, reflecting the business growth and the increase in service offerings; (iii) the increase in operation-related expenses, as a result of the increase in property management fees and costs for utilities; and (iv) the increase in depreciation and amortisation charges, which was due to the increase in leased properties as a result of store network expansion and store decoration and renovation.

Selling Expenses

The selling expenses of the Group increased from RMB120.2 million in the first half of 2022 to RMB166.9 million for the corresponding period of 2023, primarily due to (i) the increase in staff costs, as a result of business growth and increase in marketing staff to support business expansion; and (ii) the increase in promotion and marketing expenses, which was in line with our promotion strategy.

R&D Expenses

The R&D expenses increased from RMB15.0 million in the first half of 2022 to RMB17.2 million for the corresponding period of 2023, primarily due to the increase in staff costs as a result of the increase in R&D personnel headcount.

General and Administrative Expenses

The general and administrative expenses decreased from RMB167.3 million in the first half of 2022 to RMB165.8 million for the corresponding period of 2023, primarily due to the decrease in listing expenses of approximately RMB24.4 million, partially offset by an increase in staff costs of approximately RMB21.7 million.

Finance Income

The finance income increased from RMB1.0 million in the first half of 2022 to RMB10.3 million for the corresponding period of 2023, primarily due to the increase in interest income as a result of an increase in the amount of bank term deposits purchased by the Company.

INCOME TAX EXPENSES

Our income tax expenses increased from RMB6.2 million in the first half of 2022 to RMB32.3 million for the corresponding period of 2023, primarily due to the increase in the profit before income tax resulting from the business recovery after the pandemic.

PROFIT FOR THE PERIOD

As a result of the above, net profit of the Group increased from RMB19.8 million in the first half of 2022 to RMB121.1 million for the corresponding period of 2023, with the net profit margin increasing from 2.7% to 11.7%. Adjusted net profit increased from RMB50.6 million in the first half of 2022 to RMB131.2 million for the corresponding period of 2023, with the adjusted net profit margin increasing from 6.9% to 12.7%.

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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	121,120	19,849
Adjusted for:		
Share-based compensation expenses	10,097	6,419
Listing expenses	—	24,373
Adjusted profit for the period (non-HKFRS measure)	131,217	50,641

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:

- a) 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.
- b) Listing expenses related to the Listing and Global Offering.

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, 2023, the Group had cash and cash equivalents of RMB82.7 million and term deposits with initial terms of over three months of RMB520.0 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB. As of June 30, 2023, the Group had unutilized bank facility of RMB100 million.

CASH FLOWS

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

	For the six months ended June 30,		
	2023	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	222,307	128,685	254,749
Net cash generated from/(used in) investing activities	(653,397)	172,994	(93,048)
Net cash generated from/(used in) financing activities	337,205	(309,679)	(174,781)
Cash and cash equivalents at the beginning of the period	164,120	157,284	143,538
Cash and cash equivalents at the end of the period	82,688	149,696	130,291

For the six months ended June 30, 2023, we generated cash from operating activities of RMB222.3 million, representing an increase of 72.8% as compared with RMB128.7 million in the same period in 2022. The increase in the net cash generated from operating activities was primarily due to the growing influence of the Group's brands and a comprehensive service portfolio that better meets the needs of our customers, which has enabled us to earn more trust from our customers, who are then willing to invest more in the purchase of our services.

For the six months ended June 30, 2023, net cash used in investing activities was RMB653.4 million, primarily due to the purchase of wealth management products and term deposits of approximately RMB1,066.0 million, partially offset by the withdrawal or redemption of wealth management products of RMB461.3 million. In addition, we continued to expand our store network and upgrade our existing store facilities. During the Reporting Period, we purchased property, plant and equipment and other non-current assets of approximately RMB48.7 million.

For the six months ended June 30, 2023, net cash generated from financing activities was RMB337.2 million, mainly due to the proceeds of RMB506.5 million from the issuance of ordinary shares upon Global Offering, partially offset by payment of lease liabilities of RMB120.8 million and initial public offering costs of RMB30.1 million.

INDEBTEDNESS AND GEARING RATIO

As of June 30, 2023, the indebtedness of the Group mainly included lease liabilities. The Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

The gearing ratio is calculated by dividing the liabilities by the total asset as at the end of the period. As of June 30, 2023, the gearing ratio of the Group was 1.6% (as of June 30, 2022: 67.2%). The decrease was primarily attributable to the decrease in the amount of liabilities resulting from the Global Offering proceeds received by the Group during the Reporting Period.

CAPITAL COMMITMENTS

As of June 30, 2023, the Group had capital commitments of RMB21.4 million, primarily in connection with leasehold improvements.

ASSETS PLEDGED

As of June 30, 2023, the Group did not have any major assets pledged.

CONTINGENT LIABILITIES

As of June 30, 2023, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Saved as previously announced by the Company and disclosed in this announcement, for the six months ended June 30, 2023, the Group did not hold any significant investments, nor did we conduct any material 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 risk arising from currency exposures with respect to US 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 SIGNIFICANT INVESTMENT OR ACQUISITION OF ASSETS

Save as disclosed in the Prospectus, the Group had no future plans for any significant investment or acquisition of capital assets as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2023, the Group had a total of 3,845 full-time employees. During the six months ended June 30, 2023, the total employee welfare expenses amounted to RMB418.6 million, higher than RMB332.6 million in the first half of 2022, primarily in connection with the Group's business growth. During the six months ended June 30, 2023, the Group's equity-settled share-based compensation expenses increased to RMB10.1 million from RMB6.4 million during the corresponding period in 2022.

The remuneration package of our employees includes basic salaries, allowances and bonuses. In particular, our physicians, therapists and other service personnel may be remunerated with a bonus that is assessed mainly based on their performance. We have also adopted a number of employee restricted share plans to provide long-term incentives for our employees who have provided outstanding services to us, in order to incentivize and reward the eligible persons who have contributed to our success. We have established various "BeautyFarm Training Centers (美麗田園培訓中心)" where our service personnel could learn service procedures and improve their service quality. Our employees are required to participate pre-work training and will participate in another session prior to their promotion or when we introduce new services. In addition, our employee development model enables us to track the career path of our employees and recognize staff talent through comprehensive analysis generated from clients' feedback.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2023

		Six months ended June 30,	
		2023	2022
		(Unaudited)	(Audited)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	1,036,870	734,318
Cost of sales and services		(558,764)	(420,289)
Gross profit		478,106	314,029
Selling expenses		(166,916)	(120,236)
Research and development expenses		(17,184)	(14,992)
General and administrative expenses		(165,842)	(167,260)
Other income	6	20,030	17,515
Other expenses	6	(1,695)	(1,698)
Other gains	7	9,127	9,459
Provision for impairment losses on financial assets		(157)	230
Operating profit		155,469	37,047
Finance income	8	10,282	1,038
Finance costs	8	(12,294)	(12,045)
Finance costs — net	8	(2,012)	(11,007)
Profit before income tax		153,457	26,040
Income tax expenses	9	(32,337)	(6,191)
Profit for the period		121,120	19,849
Profit attributable to:			
Owners of the Company		111,830	15,123
Non-controlling interests		9,290	4,726
		121,120	19,849
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (<i>RMB</i>)	10	0.49	0.08
Diluted earnings per share (<i>RMB</i>)	10	0.49	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
<i>Note</i>	RMB'000	RMB'000
Profit for the period	121,120	19,849
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	(2)	(74)
Exchange differences on translation of financial statements	<u>35,891</u>	<u>—</u>
Other comprehensive income/(loss) for the period, net of tax	<u>35,889</u>	<u>(74)</u>
Total comprehensive income for the period	<u><u>157,009</u></u>	<u><u>19,775</u></u>
Total comprehensive income attributable to:		
Owners of the Company	147,719	15,049
Non-controlling interests	<u>9,290</u>	<u>4,726</u>
	<u><u>157,009</u></u>	<u><u>19,775</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

June 30, 2023

		As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		312,833	307,704
Investment properties		69,450	71,145
Right-of-use assets		489,312	481,019
Intangible assets		83,520	83,294
Goodwill		213,303	196,286
Prepayments, deposits and other receivables	12	58,373	61,201
Other non-current assets		12,350	2,745
Financial assets at fair value through other comprehensive income		45	47
Deferred income tax assets		39,623	44,165
		1,278,809	1,247,606
Total non-current assets			
Current assets			
Inventories		180,486	142,287
Trade receivables	12	38,966	37,356
Prepayments, deposits and other receivables	12	131,925	147,226
Financial assets at fair value through profit or loss		868,338	626,864
Restricted cash	13	10,296	10,284
Cash and cash equivalents	13	82,688	164,120
Term deposits with initial terms of over three months	13	519,951	119,646
		1,832,650	1,247,783
Total current assets			
		3,111,459	2,495,389
Total assets			
EQUITY			
Share capital		8	7
Treasury stock		(4,059)	—*
Share premium		472,965	84,358
Other reserves		30,992	2,098
Retained earnings		214,114	102,284
		714,020	188,747
Equity attributable to owners of the Company		714,020	188,747
Non-controlling interests		26,385	14,362
		740,405	203,109
Total equity			

* Less than RMB1,000

		As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		366,962	374,523
Deferred tax liabilities		13,148	8,647
		<hr/>	<hr/>
Total non-current liabilities		380,110	383,170
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>14</i>	13,283	7,857
Other payables and accruals	<i>15</i>	270,485	224,061
Contract liabilities	<i>5</i>	1,424,985	1,408,119
Current tax liabilities		34,196	33,974
Lease liabilities		162,863	150,979
Other current liabilities		85,132	84,120
		<hr/>	<hr/>
Total current liabilities		1,990,944	1,909,110
		<hr/>	<hr/>
Total liabilities		2,371,054	2,292,280
		<hr/>	<hr/>
Total equity and liabilities		3,111,459	2,495,389
		<hr/>	<hr/>
Net current liabilities		158,294	661,327
		<hr/>	<hr/>
Total assets less current liabilities		1,120,515	586,279
		<hr/>	<hr/>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Equity attributable to owners of the Company					Non-controlling interests		Total equity
Note	Share capital RMB'000	Treasury stock RMB'000	Other reserves RMB'000	Share premium RMB'000	Retained earnings RMB'000	Total RMB'000	RMB'000	RMB'000	
Balance at January 1, 2022	—	—	65,439	—	191,924	257,363	5,173	262,536	
Profit for the period	—	—	—	—	15,123	15,123	4,726	19,849	
Other comprehensive loss	—	—	(74)	—	—	(74)	—	(74)	
Total comprehensive income	—	—	(74)	—	15,123	15,049	4,726	19,775	
Transactions with owners									
Issuance of ordinary shares to shareholders	—*	—*	3,971	—	—	3,971	—	3,971	
Capital injection from non-controlling interests	—	—	—	—	—	—	8,708	8,708	
Share-based payment expenses	—	—	6,416	—	—	6,416	3	6,419	
Transactions with non-controlling interests	—	—	1,408	—	—	1,408	123	1,531	
Dividends declared	//	—	—	—	(120,000)	(120,000)	(2,482)	(122,482)	
Completion of reorganisation	7	—	(84,365)	84,358	—	—	—	—	
	7	—	(72,570)	84,358	(120,000)	(108,205)	6,352	(101,853)	
Balance at June 30, 2022 (Audited)	<u>7</u>	<u>—*</u>	<u>(7,205)</u>	<u>84,358</u>	<u>87,047</u>	<u>164,207</u>	<u>16,251</u>	<u>180,458</u>	

Equity attributable to owners of the Company

		Treasury	Other	Share	Retained		Non-	
	Share capital	stock	reserves	premium	earnings	Total	controlling	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
Balance at January 1, 2023	<u>7</u>	<u>—*</u>	<u>2,098</u>	<u>84,358</u>	<u>102,284</u>	<u>188,747</u>	<u>14,362</u>	<u>203,109</u>
Profit for the period	—	—	—	—	111,830	111,830	9,290	121,120
Other comprehensive income	—	—	<u>35,889</u>	—	—	<u>35,889</u>	—	<u>35,889</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>35,889</u>	<u>—</u>	<u>111,830</u>	<u>147,719</u>	<u>9,290</u>	<u>157,009</u>
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	//	—	—	(84,009)	—	(84,009)	—	(84,009)
Treasury shares purchased	—	<u>(4,059)</u>	—	—	—	<u>(4,059)</u>	—	<u>(4,059)</u>
	<u>1</u>	<u>(4,059)</u>	<u>(6,995)</u>	<u>388,607</u>	<u>—</u>	<u>377,554</u>	<u>2,733</u>	<u>380,287</u>
Balance at June 30, 2023 (Unaudited)	<u>8</u>	<u>(4,059)</u>	<u>30,992</u>	<u>472,965</u>	<u>214,114</u>	<u>714,020</u>	<u>26,385</u>	<u>740,405</u>

* Less than RMB1,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2023

	<i>Note</i>	Six months ended June 30, 2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Cash flows from operating activities			
Cash generated from operations		245,379	151,726
Income tax paid		(23,072)	(23,041)
Net cash inflow generated from operating activities		<u>222,307</u>	<u>128,685</u>
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		—	(232)
Purchases of property, plant and equipment and other non-current assets		(48,667)	(51,145)
Proceeds from sale of property, plant and equipment and other non-current assets		1	69
Payment for disposal of a business, net of cash disposed		—	(2,125)
Proceeds from redemption of wealth management products		461,293	743,027
Purchase of wealth management products		(682,701)	(516,600)
Purchase of term deposits with initial terms of over three months		(473,896)	—
Maturity of term deposits with initial terms of over three months		90,573	—
Net cash used in/(generated from) investing activities		<u>(653,397)</u>	<u>172,994</u>
Cash flows from financing activities			
Dividends paid		—	(122,566)
Payment of lease liabilities		(120,802)	(118,022)
Transactions with non-controlling interests		(15,939)	1,531
Initial public offering costs		(30,120)	(2,733)
Capital injection from a shareholder		—	3,976
Proceeds from issuance of ordinary shares upon global offering		506,545	—
Capital injection from non-controlling interests		1,580	7,708
Proceeds from the owners of Shanghai Beauty Farm		—	119,235
Capital deduction from the owners of Shanghai Beauty Farm		—	(198,808)
Payments for repurchase of ordinary shares		(4,059)	—
Net cash generated from / (used in) financing activities		<u>337,205</u>	<u>(309,679)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		164,120	157,284
Exchange gains on cash and cash equivalents		12,453	412
Cash and cash equivalents at end of the period	<i>13</i>	<u>82,688</u>	<u>149,696</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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 are principally engaged in providing beauty and health management service, including traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention 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 24, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant 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, 2023 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, 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance.

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, 2023:

- Classification of liabilities as current or non-current — Amendments to HKAS 1
- Insurance Contracts — HKFRS 17
- Disclosure of Accounting Policy — HKAS 1 (Amendment) and HKFRS Practice Statement 2 (Amendment)
- Definition of Accounting Estimate — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12
- Sale or contribution of assets between an investor and its associate or joint venture — HKFRS 10 and HKAS 28 (Amendments)

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, 2022.

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 mainland China.

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,	
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Traditional beauty services		
— Direct stores (at a point in time)		
— Services	472,987	352,654
— Product Sales	34,351	30,390
— Franchised and others		
— Product sales (at a point in time)	38,070	42,027
— Franchise fee (over time)	2,297	2,971
	<u>547,705</u>	<u>428,042</u>
Subtotal		
Subhealth assessment and intervention services		
— Services recognised at a point in time	33,454	20,555
— Services recognised over time	15,842	10,165
	<u>49,296</u>	<u>30,720</u>
Subtotal		
Aesthetic medical services		
— recognised at a point in time	439,869	275,556
	<u>439,869</u>	<u>275,556</u>
Total	<u><u>1,036,870</u></u>	<u><u>734,318</u></u>

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

Subhealth assessment and intervention services recognised over time are cooperation fee received from 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 China. All of its sales from external customers are generated in China.

(b) Liabilities related to contracts with customers

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

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
Contract liabilities — services and product sales	<u>1,424,985</u>	<u>1,408,119</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 EXPENSE

	Six months ended June 30, 2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Other income		
Government grants	16,151	13,687
Rental income	3,688	3,153
Others	<u>191</u>	<u>675</u>
	<u>20,030</u>	<u>17,515</u>
Other expenses		
Direct cost in relation to the rental income	<u>1,695</u>	<u>1,698</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,	
	2023	2022
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net fair value gains on financial assets at FVPL	9,794	9,825
Net losses on disposal of property, plant and equipment	(881)	(470)
Net foreign exchange gains	575	412
Others	(361)	(308)
	<u>9,127</u>	<u>9,459</u>

8 FINANCE COSTS — NET

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income on bank deposits	<u>10,282</u>	<u>1,038</u>
Finance costs		
Interest expense		
— Interest charges for lease liabilities	<u>(12,294)</u>	<u>(12,045)</u>
Finance costs — net	<u>(2,012)</u>	<u>(11,007)</u>

9 INCOME TAX EXPENSES

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax — PRC income tax	23,294	17,187
Deferred income tax	<u>9,043</u>	<u>(10,996)</u>
Income tax expense	<u>32,337</u>	<u>6,191</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, 2022: 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, 2022: 25%).

10 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to 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. For the year ended December 31, 2022, the 200,000 shares issued and allotted to ZYLot Holdings was included in the weighted average number of ordinary shares by multiplication of the number of days after investment divided by total number of the days during the respective reporting periods.

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.

On June 29, 2023 and June 30, 2023, the Company repurchased 12,500 and 173,000 shares in the Stock Exchange respectively.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
Profit attributable to Owners of the Company (<i>RMB'000</i>)	111,830	15,123
Weighted average number of ordinary shares in issue	227,177	199,722
Basic earnings per share (<i>expressed in RMB per share</i>)	0.49	0.08

(b) Diluted

Options granted to employees under the company Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required net profit hurdles would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
Profit attributable to Owners of the Company (<i>RMB'000</i>)	111,830	15,123
Weighted average number of ordinary shares in issue	227,177	199,722
Adjustments for calculation of diluted earnings per share:	1,664	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	228,841	199,722
Diluted earnings per share for profit attributable to the Owners of the Company during the period (<i>expressed in RMB per share</i>)	0.49	0.08

11 DIVIDENDS

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared	84,009	122,482

12 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
Trade receivables		
Trade receivables (a)	41,486	39,824
Less: provision for impairment	<u>(2,520)</u>	<u>(2,468)</u>
Total trade receivables	<u>38,966</u>	<u>37,356</u>
Included in current assets		
Prepayments, deposits and other receivables		
Prepayments for procurement of inventories and operating expenses	48,056	42,941
Prepaid listing expense	—	39,562
Amount due from related parties	26,712	20,250
Deposits — current portion	25,302	17,785
Other current assets	17,494	12,426
Other receivables	14,910	14,756
Less: provision for impairment	<u>(549)</u>	<u>(494)</u>
Total prepayments, deposits and other receivables — current portion	<u>131,925</u>	<u>147,226</u>
Included in non-current assets		
Deposits and other receivables		
Deposits — non-current portion	58,458	61,291
Less: provision for impairment	<u>(85)</u>	<u>(90)</u>
Total	<u>58,373</u>	<u>61,201</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, 2023 and December 31, 2022, 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, 2023 <i>RMB'000</i>	As at December 31, 2022 <i>RMB'000</i>
Up to 1 year	38,349	37,988
Between 1 and 2 years	2,534	1,338
Between 2 and 3 years	446	392
Over 3 years	157	106
	<u>41,486</u>	<u>39,824</u>

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at June 30, 2023 (Unaudited) <i>RMB'000</i>	As at December 31, 2022 (Audited) <i>RMB'000</i>
Cash and bank balances		
— Cash on hand	199	75
— Cash at bank	612,736	293,975
	612,935	294,050
Less: restricted cash (a)	(10,296)	(10,284)
term deposits with initial terms of over three months	(519,951)	(119,646)
Cash and cash equivalents	<u>82,688</u>	<u>164,120</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, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
HKD	327,478	3,791
RMB	211,613	211,950
USD	72,716	77,394
EUR	967	911
Others	161	4
	<u>612,935</u>	<u>294,050</u>

14 TRADE PAYABLES

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
Trade payables		
—Third parties (a)	<u>13,283</u>	<u>7,857</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, 2023 and December 31, 2022 based on invoice date was follows:

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Within 1 year	11,112	6,640
Between 1 and 2 years	994	485
Over 2 years	1,177	732
	<u>13,283</u>	<u>7,857</u>

15 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2023 (Unaudited) RMB'000	As at December 31, 2022 (Audited) RMB'000
Other payables and accruals		
Employee benefits payables (a)	95,020	91,959
Dividend payable	85,097	—
Accrual expenses	10,350	10,290
Taxes payables	11,107	13,237
Constructions payables	12,125	13,104
Franchisee deposits	23,297	20,596
Listing expenses payable	3,125	50,198
Acquisition payable	7,000	—
Others	23,364	24,677
	<u>270,485</u>	<u>224,061</u>
Total other payables and accruals	<u>270,485</u>	<u>224,061</u>

(a) Employee benefits payables

The employee benefits payables represented payables for employee salaries for December 2022 and for June 2023, 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 does not recommend the payment of an interim dividend to the Shareholders for the Reporting Period.

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 Corporate Governance Code as its own corporate governance practices.

The Company had complied with all code provisions set out in Part 2 of the CG Code since the Listing Date and up to June 30, 2023.

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 Company or its securities.

Having made specific enquiries of all the Directors, they have confirmed that they have complied with the Model Code since the Listing Date and up to June 30, 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group since the Listing Date and up to June 30, 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, the Company bought back a total of 185,500 shares of the Company on the Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK\$4,402,678.34. The repurchase was effected because the Board considered that the trading price of the Shares does not reflect their intrinsic value and actual business prospects of the Group, this is therefore a good opportunity for the Company to repurchase the Shares, thereby enhancing the value of Shares and improving return to shareholders of the Company. Particulars of the shares of the Company bought back are as follows:

Month of repurchase	Number of Shares repurchased	Price paid per Share		Aggregate consideration (before expenses) (HK\$)
		(Highest) (HK\$)	(Lowest) (HK\$)	
June 2023	185,500	23.70	22.95	4,402,678.34

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.

Events after the Reporting Period

Between July 6, 2023 and July 21, 2023, the Company repurchased in a total of 70,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$1.24 million including expenses. The Shares will be cancelled in due course.

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.

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 2023 Interim Report

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.beautyfarm.com.cn. The interim report of the Company for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and 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
“Cayman Companies Law” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

“CG Code” or “Corporate Governance Code”	the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules
“Chengdu Youlan”	Sichuan Lanyouyou Technology Co., Ltd. (四川蘭幽幽科技有限公司) and its related companies
“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
“Euro” or “EUR”	Euro, the lawful currency of the member states of the European Union
“Global Offering”	the Hong Kong Public Offering and the International Offering, details of which are set forth in the Prospectus
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	January 16, 2023, on which the Shares were listed and from which dealings therein were permitted to take place on 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)

“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Mr. Li”	Mr. LI Yang, being the chairman of our Board and an executive Director and the father of Ms. Li and a Controlling Shareholder
“Mr. Lian”	Mr. LIAN Songyong, being the chief executive officer and an executive Director, and a Controlling Shareholder of the Company
“Ms. Li”	Ms. LI Fangyu, being a non-executive Director and daughter of Mr. Li and a Controlling Shareholder of the Company
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable by the Overall Coordinators on behalf of the International Underwriters under the International Underwriting Agreement. On February 3, 2023, the Group allotted 6,080,000 Shares at a price of HK\$19.32 per Share. The Company received additional net proceeds of approximately HK\$111.1 million from the exercise of the Over-allotment Option. For details, please refer to the announcements of the Company dated January 13, 2023 and February 5, 2023, respectively
“Prospectus”	the prospectus of the Company dated December 30, 2022
“Reporting Period”	the six months ended June 30, 2023
“R&D”	Research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai Beauty Farm”	Shanghai Beauty Farm Medical Healthcare Industry Co., Ltd. (上海美麗田園醫療健康產業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Group
“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)
“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
“United States dollars”, “US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, August 24, 2023

As at the date of this announcement, the Board comprises Mr. Li Yang as Chairman and executive Director, Mr. Lian Songyong as executive Director, Mr. Zhai Feng, 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.