NB
自然美
NATURAL BEAUTY

Natural Beauty Bio-Technology Limited
自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00157)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS:

- Revenue decreased by 1.3% to HK$161,511,000.
- Net loss recorded of HK$9,406,000.
- No dividends have been paid or declared for the six months ended 30 June 2023. (2022: HK$6,006,000)

RESULTS

The board of directors (the "**Board**") of Natural Beauty Bio-Technology Limited ("**Natural Beauty**" or the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the first half of 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**161,511**	163,591
Cost of sales		**(66,545)**	(76,059)
Gross profit		**94,966**	87,532
Other income and other gains		**3,718**	6,919
Reversal of impairment/(impairment losses) on trade receivables, net		**2,129**	(387)
Distribution and selling expenses		**(68,870)**	(73,252)
Administrative expenses		**(32,977)**	(35,906)
Loss on derecognition of intangible assets	*9*	**–**	(5,147)
Impairment loss on goodwill	*9*	**–**	(2,133)
Other expenses and other losses		**(1,318)**	(1,560)
Loss from operations		**(2,352)**	(23,934)
Finance costs		**(3,958)**	(1,346)
Loss before tax		**(6,310)**	(25,280)
Income tax expense	*6*	**(3,096)**	(4,969)
Loss for the period	*5*	**(9,406)**	(30,249)

	Note	Six months ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Other comprehensive income:			
Item that will be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(18,403)**	(33,485)
Total comprehensive income for the period		**(27,809)**	(63,734)
Loss for the period attributable to:			
Owners of the Company		**(9,406)**	(30,249)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(27,809)**	(63,734)
Loss per share			
Basic	*8(a)*	**HK cents (0.47)**	HK cents (1.51)
Diluted	*8(b)*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023** *HK$'000*	Audited 31 December 2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**217,270**	197,046
Investment properties		**218,558**	228,714
Right-of-use assets		**33,816**	41,086
Goodwill		**24,700**	25,678
Deposits for purchase of property, plant and equipment		**–**	236
Retirement benefits plan assets		**692**	700
Deferred tax assets		**13,482**	13,949
		508,518	507,409
Current assets			
Inventories		**86,279**	98,831
Trade and other receivables	*10*	**104,409**	97,179
Contract costs		**1**	281
Bank and cash balances		**157,050**	168,609
		347,739	364,900
Current liabilities			
Trade and other payables	*11*	**86,042**	106,531
Amount due to a related party		**162**	493
Contract liabilities		**17,837**	16,810
Borrowings		**158,497**	113,842
Lease liabilities		**4,741**	5,566
Current tax liabilities		**1,888**	7,535
		269,167	250,777
Net current assets		**78,572**	114,123
Total assets less current liabilities		**587,090**	621,532

	Note	Unaudited 30 June 2023 *HK$'000*	Audited 31 December 2022 *HK$'000*
Non-current liabilities			
Borrowings		**4,698**	6,024
Lease liabilities		**12,739**	18,046
		17,437	24,070
NET ASSETS		**569,653**	597,462
Capital and reserves			
Share capital		**200,210**	200,210
Reserves		**369,443**	397,252
TOTAL EQUITY		**569,653**	597,462

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(With comparatives for the six months ended 30 June 2022 and as of 31 December 2022)

(Expressed in thousands of Hong Kong dollars (HK$'000) unless otherwise stated)

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2022 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to HKAS 12, in the current period, the Group has adopted all other new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Period ended 30 June 2023

	The People's Republic of China ("the PRC") (unaudited) *HK$'000*	**Taiwan (unaudited)** *HK$'000*	**Others (unaudited)** *HK$'000*	**Total (unaudited)** *HK$'000*
Revenue from external customers	**111,485**	**40,039**	**9,987**	**161,511**
Segment (loss)/profit	**(9,271)**	**3,120**	**2,471**	**(3,680)**
Unallocated corporate expenses				**(3,546)**
Unallocated income				**916**
Consolidated loss before tax				**(6,310)**

Period ended 30 June 2022

	The PRC (unaudited) *HK$'000*	Taiwan (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Revenue from external customers	97,648	60,004	5,939	163,591
Segment (loss)/profit	(32,139)	7,893	2,788	(21,458)
Unallocated corporate expenses				(5,075)
Unallocated income				1,253
Consolidated loss before tax				(25,280)

Segment profits or losses do not include central administration costs, directors' salaries and interest income.

The Chief Operating Decision Maker ("**CODM**") makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information:

The Group's information about its non-current assets by location of assets are detailed below:

	30 June 2023 (unaudited) *HK$'000*	31 December 2022 (audited) *HK$'000*
Non-current assets		
The PRC	**433,965**	424,941
Taiwan	**59,213**	66,317
Others	**1,858**	2,202
Consolidated total	**495,036**	493,460

Note: Non-current assets excluded deferred tax assets.

4. REVENUE

(a) Disaggregation of revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers by major products and service lines as follows:

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Sales of goods	**159,707**	159,828
Service income	**1,804**	3,763
	161,511	163,591

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Primary geographical markets		
The PRC	**111,485**	97,767
Taiwan	**40,039**	60,004
Others	**9,987**	5,820
	161,511	163,591
Timing of revenue recognition		
Products transferred at a point in time	**159,707**	159,828
Products and services transferred over time	**1,804**	3,763
	161,511	163,591

(b) **Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2023 and the expected timing of recognising revenue as follows:

	30 June 2023 (unaudited) HK$'000	31 December 2022 (audited) HK$'000
Within one year	**17,837**	16,810

5. LOSS FOR THE PERIOD

The Group's loss for the period is arrived after charging/(crediting) the following:

	Six months ended 30 June	
	2023 (unaudited) *HK$'000*	2022 (unaudited) *HK$'000*
Depreciation of property, plant and equipment	**11,353**	12,143
Depreciation of right-of-use assets	**3,027**	4,567
Amortisation of intangible assets	**–**	423
Total staff cost (including directors' emoluments)	**59,365**	73,534
Loss on disposal of property, plant and equipment	**59**	65
Allowance for obsolete inventories (included in cost of sales)	**364**	4,866
(Reversal of impairment)/impairment for trade receivables	**(2,129)**	387
Cost of inventories recognised as cost of sales	**60,600**	66,829
Net exchange loss/(gain)	**404**	(2,360)
Expenses relating to short-term leases	**1,856**	2,667

6. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax ("**EIT**")		
Provision for the period	**1,740**	–
Over provision in prior period	**–**	(635)
	1,740	(635)
Current tax – Taiwan Corporate Income Tax		
Provision for the period	**665**	1,734
Current tax – Malaysia Corporate Income Tax		
Provision for the period	**4**	–
Withholding tax	**80**	10,617
Deferred tax	**607**	(6,747)
	3,096	4,969

PRC EIT has been provided at a rate of 25% (2022: 25%) and Corporate Income Tax in Taiwan has been provided at a rate of 20% (2022: 20%) for the six months period ended 30 June 2023.

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 10% (2022: 10%) and 21% (2022: 21%) on dividends that are declared in respect of profits earned by the PRC and Taiwan subsidiaries respectively and that are received by non-local resident entities. Withholding tax on dividends of nil (2022: HK$10,287,000) were recognised for a Taiwan subsidiary for the six months period ended 30 June 2023.

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% (2022: 16.5%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group's subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof.

7. DIVIDENDS

No dividends have been paid or declared for the six months ended 30 June 2023. (2022: HK$6,006,000)

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to the owners of the Company of approximately loss of HK$9,406,000 (2022: loss of HK$30,249,000) and the weighted average number of ordinary share of approximately 2,002,100,932 (2022: 2,002,100,932) in issue during the period.

(b) Diluted loss per share

No diluted loss per share for the six months period ended 30 June 2023 and 2022 is presented as the Company had no potential ordinary shares outstanding.

9. LOSS ON DERECOGNITION OF INTANGIBLE ASSETS AND IMPAIRMENT LOSS ON GOODWILL

During the six months period ended 30 June 2022, Beijing Jiayun Medical Beauty Clinic Company Limited ("**Jiayun**"), one of the subsidiaries of the Group and included in Cash Generating Unit of medical aesthetics services in PRC ("**CGU B**"), was informed by Beijing Chaoyang District Health Commission by written notice that the Practice Licence of Medical Institution (the "**License**") had been cancelled due to unsuccessful renewal. As a result, losses on derecognition of relevant intangible assets and deferred tax liabilities of HK$5,147,000 and HK$1,287,000 respectively are recognised during the six months ended 30 June 2022.

Due to the cancellation of the License, the Group's management determined to fully impair the goodwill allocated to CGU B of HK$2,133,000 during the six months end 30 June 2022.

10. TRADE AND OTHER RECEIVABLES

	30 June 2023 (unaudited) *HK$'000*	31 December 2022 (audited) *HK$'000*
Trade receivables	**87,170**	80,946
Less: Allowance for credit loss	**(2,911)**	(5,147)
	84,259	75,799
Prepayments	**17,044**	16,307
Deposits	**1,868**	1,712
Other receivables	**1,238**	3,361
	104,409	97,179

The Group allows an average credit period of 30 to 150 days to its trade customers who are qualified for credit sales. The credit period provided to customers can vary based on a number of factors including the customer's credit profile and sales promotion policy.

The ageing analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 June 2023 (unaudited) *HK$'000*	31 December 2022 (Re-presented) *HK$'000*
Within 30 days	**20,038**	14,043
31–150 days	**43,664**	44,830
Over 150 days	**20,557**	16,926
	84,259	75,799

11. TRADE AND OTHER PAYABLES

	30 June 2023 (unaudited) *HK$'000*	31 December 2022 (audited) *HK$'000*
Trade payables	**17,846**	9,764
Deposits from franchisees	**24,118**	24,746
Other tax payables	**1,741**	6,133
Accruals	**24,313**	29,141
Construction costs payable for investment properties	**8,954**	29,018
Other payables	**9,070**	7,729
	86,042	106,531

The ageing analysis of the Group's trade payables, based on the date of receipt of goods or service consumed, is as follows:

	30 June 2023 (unaudited) *HK$'000*	31 December 2022 (audited) *HK$'000*
Within 90 days	**16,636**	9,254
91 days to 365 days	**1,210**	510
	17,846	9,764

12. COMPARATIVE FIGURES

Comparative figures of the aging analysis of the Group's trade receivables have been re-presented to align with the current period's presentation. The new presentation is considered to provide a more relevant aging analysis of the Group's trade receivables for the users of financial statements, considering the change in the average credit period granted to the Group's trade customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover by segment	1H 2023		1H 2022		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	**111,485**	**69.0%**	97,648	59.7%	13,837	14.2%
Taiwan	**40,039**	**24.8%**	60,004	36.7%	(19,965)	-33.3%
Others	**9,987**	**6.2%**	5,939	3.6%	4,048	68.2%
Total	**161,511**	**100.0%**	163,591	100.0%	(2,080)	-1.3%

During the six months ended 30 June 2023, turnover of the Group decreased by 1.3% or HK$2.1 million from HK$163.6 million for the six months ended 30 June 2022 to HK$161.5 million for the six months ended 30 June 2023.

For the six months ended 30 June 2023, turnover in the PRC market increased by 14.2% or HK$13.8 million from HK$97.6 million for the six months ended 30 June 2022 to HK$111.5 million for the six months ended 30 June 2023; and turnover in Taiwan decreased by 33.3% or HK$20.0 million from HK$60.0 million for the six months ended 30 June 2022 to HK$40.0 million for the six months ended 30 June 2023.

Sales from other regions, including Hong Kong, Macau and Malaysia, increased by 68.2% to HK$10.0 million for the six months ended 30 June 2023. Sales contribution from these regions remained to be at an insignificant level of 6.2% of the Group's turnover for the six months ended 30 June 2023.

The Group's overall gross profit margin increased from 53.5% for the six months ended 30 June 2022 to 58.8% for the six months ended 30 June 2023 mainly due to the changes in revenue mix of products bundling in the PRC market.

Turnover by activities	**1H 2023**	1H 2022	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Products				
PRC	**109,985**	94,329	15,656	16.6%
Taiwan	**40,039**	60,004	(19,965)	-33.3%
Others	**9,683**	5,495	4,188	76.2%
Total	**159,707**	159,828	(121)	-0.1%
Services				
PRC	**1,500**	3,319	(1,819)	-54.8%
Taiwan	**–**	–	–	0%
Others	**304**	444	(140)	-31.5%
Total	**1,804**	3,763	(1,959)	-52.1%

Turnover by activities	**1H 2023**		1H 2022		Changes	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Products	**159,707**	**98.9%**	159,828	97.7%	(121)	-0.1%
Services	**1,804**	**1.1%**	3,763	2.3%	(1,959)	-52.1%
Total	**161,511**	**100.0%**	163,591	100.0%	(2,080)	-1.3%

Products

The Group is principally engaged in manufacturing and sales of a range of products, including skin care, beauty and aroma-therapeutic products, health supplements, make-up products under the "Natural Beauty" brand and beauty apparatus. Product sales are the Group's key revenue sources and are primarily generated from franchised spas, online and other sales platforms, self-owned spas and concessionary counters at department stores. Product sales for the six months ended 30 June 2023 amounted to HK$159.7 million, or 98.9% of the Group's total revenue, representing a decrease of HK$0.1 million or by 0.1% as compared with product sales of HK$159.8 million for the six months ended 30 June 2022. The decrease in product sales was mainly due to the combined effect of the increase in turnover in such segment in the PRC market by 16.6% to HK$110.0 million for the six months ended 30 June 2023 as compared with HK$94.3 million for the corresponding period last year, offset by the decrease in turnover in such segment in the Taiwan market by 33.3% to HK$40.0 million for the six months ended 30 June 2023 as compared with HK$60.0 million for the corresponding period last year.

Service income	**1H 2023**		1H 2022		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Training income	**1**	**0.1%**	3	0.1%	(2)	-66.7%
Spa/medical cosmetology service income	**1,728**	**95.8%**	3,760	99.9%	(2,032)	-54.0%
Others	**75**	**4.1%**	–	–	75	100.0%
Total	**1,804**	**100.0%**	3,763	100.0%	(1,959)	-52.1%

Services

Service income is derived from the services of our self-owned spas, medical cosmetology services, training and other services.

The Group provides skin treatment, beauty and spa services through its self-owned spas. The Group's strategy is to establish self-owned spas as model outlets in strategic locations to stimulate franchisees to join. As at 30 June 2023, the Group had two self-owned spas in the PRC, and two self-owned spas in Malaysia.

The Group does not share any service income generated from spas run by franchisees under its current franchise arrangements. During the six months ended 30 June 2023, service income decreased by 52.1% to HK$1.8 million as compared with HK$3.8 million for the corresponding period last year. The decrease in service income was mainly due to the decrease in turnover of spa services and medical cosmetology service income by 54.0% to HK$1.7 million as compared with HK$3.8 million for the corresponding period last year.

Other income and other gains

Other income and other gains decreased by HK$3.2 million or 46.4% from HK$6.9 million for the six months ended 30 June 2022 to HK$3.7 million for the six months ended 30 June 2023. Other income and other gains mainly comprised rental income from other properties, interest income and government grants of HK$1.4 million, HK$0.9 million, and HK$0.1 million respectively during the six months ended 30 June 2023.

Selling and administrative expenses

Distribution and selling expenses as a percentage of the Group's turnover decreased to 42.6% for the six months ended 30 June 2023 as compared with 44.8% for the six months ended 30 June 2022. The distribution and selling expenses decreased by HK$4.4 million from HK$73.3 million for the six months ended 30 June 2022 to HK$68.9 million for the six months ended 30 June 2023. The decrease was mainly attributable to the lowered salaries expenses, which decreased by HK$7.5 million from HK$41.1 million for the six months ended 30 June 2022 to HK$33.6 million for the six months ended 30 June 2023.

Distribution and selling expenses mainly comprised salaries expenses of HK$33.6 million, advertising expenses of HK$12.8 million, depreciation charges of HK$6.2 million, freight on sales of HK$4.0 million, travelling charges of HK$2.7 million, consultancy and professional expenses of HK$1.5 million, as well as rental expenses of HK$1.3 million for the six months ended 30 June 2023.

Total administrative expenses decreased by HK$2.9 million, or 8.1%, to HK$33.0 million for the six months ended 30 June 2023 as compared with HK$35.9 million for the six months ended 30 June 2022. Administrative expenses mainly comprised staff costs and retirement benefits (including directors' remuneration) of HK$14.0 million, depreciation charges of HK$5.6 million, consultancy and professional fees of HK$3.3 million, office and utility expenses of HK$2.9 million and research and development expenses of HK$1.7 million.

Other expenses and other losses

Other expenses and other losses decreased by HK$0.3 million, from HK$1.6 million for the six months ended 30 June 2022 to HK$1.3 million for the six months ended 30 June 2023. Other expenses and other losses for the six months ended 30 June 2023 mainly included related expenses of rental property of HK$0.6 million, and others of HK$0.7 million.

Loss before tax

Taking into account the increase in gross profit, loss before tax decreased by 75.0% from HK$25.3 million for the six months ended 30 June 2022 to HK$6.3 million for the six months ended 30 June 2023.

Loss for the period

Loss for the period decreased by 68.9% from HK$30.2 million for the six months ended 30 June 2022 to HK$9.4 million for the six months ended 30 June 2023.

Liquidity and financial resources

Cash generated from operating activities for the six months ended 30 June 2023 was approximately HK$21.2 million (HK$8.7 million for the six months ended 30 June 2022). As at 30 June 2023, the Group had cash and cash equivalents of approximately HK$151.4 million (HK$160.6 million as at 31 December 2022) with approximately HK$163.2 million (approximately HK$119.9 million as at 31 December 2022) being external bank borrowing.

In terms of gearing, as at 31 December 2022 and 30 June 2023, the Group's gearing ratios (defined as total bank borrowings divided by shareholders' equity) were 20.1% and 28.6% respectively. Current ratios (defined as current assets divided by current liabilities) of the Group as at 31 December 2022 and 30 June 2023 were 1.46 times and 1.29 times respectively. As at 30 June 2023, the Group had no material contingent liabilities other than those disclosed in its financial statements and the notes thereto. With the cash and bank balances on hand, the Group's liquidity position remained strong to meet its working capital requirements.

Treasury policies and exposure to fluctuations in exchange rates

Most of the Group's revenues are denominated in Renminbi ("**RMB**") and New Taiwan Dollars ("**NTD**") as its operations are mainly located in the PRC and Taiwan. As at 30 June 2023, approximately 57.1% (58.1% as at 31 December 2022) of the Group's bank balances and cash were denominated in RMB, while approximately 30.4% (37.9% as at 31 December 2022) were in NTD. The remaining 12.5% (4.0% as at 31 December 2022) were denominated in US Dollars, Hong Kong Dollars and Malaysian Ringgit. The Group continues to adopt a conservative approach in its foreign exchange exposure management. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

BUSINESS REVIEW

Turnover by segment	**1H 2023**	1H 2022	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
PRC				
Products	**109,985**	94,329	15,656	16.6%
Services	**1,500**	3,319	(1,819)	-54.8%
PRC Total	**111,485**	97,648	13,837	14.2%
Taiwan				
Products	**40,039**	60,004	(19,965)	-33.3%
Services	**–**	–	–	0%
Taiwan Total	**40,039**	60,004	(19,965)	-33.3%
Others				
Products	**9,683**	5,495	4,188	76.2%
Services	**304**	444	(140)	-31.5%
Others Total	**9,987**	5,939	4,048	68.2%

The PRC Market

The Group's turnover in the PRC market increased by 14.2% for the six months ended 30 June 2023 to HK$111.5 million as compared with HK$97.6 million for the six months ended 30 June 2022. Gross margin of product sales increased to 60.6% for the six months ended 30 June 2023 as compared with 53.6% for the six months ended 30 June 2022. The key reasons to the aforementioned changes are the changes in revenue mix of products bundling in the PRC market.

Taiwan Market

The Group's turnover in the Taiwan market decreased by 33.3% from HK$60.0 million for the six months ended 30 June 2022 to HK$40.0 million for the six months ended 30 June 2023. The decrease in sales in the Taiwan market was mainly due to the decrease on revenue from product sales through TV shopping, E-commerce and telemarketing channels in the Taiwan market. Gross margin decreased from 65.8% for the six months ended 30 June 2022 to 60.0% for the six months ended 30 June 2023. The key reason of the decrease in gross margin is the changes in business channels, which in turn changed the revenue mix.

Distribution channels

For revenue by sales channel, the Group achieved HK$140.2 million sales from franchised/self-owned spas, and counters for the six months ended 30 June 2023 which increased by HK$2.8 million as compared to the six months ended 30 June 2022 (HK$137.4 million for the six months ended 30 June 2022), representing 86.8% of the Group's total revenue (84.0% for the six months ended 30 June 2022).

For sales from E-commerce, TV shopping and telemarketing channels, the Group achieved HK$21.3 million sales for the six months ended 30 June 2023, which decreased by HK$4.9 million as compared to the six months ended 30 June 2022 (HK$26.2 million for the six months ended 30 June 2022), representing 13.2% of the Group total revenue (16.0% for the six months ended 30 June 2022).

Store Number by Ownership	**Franchisee owned Spa**	**Self-owned Spa**	**Total Spa**	**Self-owned Counter**	**Total**
As at 30 June 2023					
PRC	**1,106**	**2**	**1,108**	**7**	**1,115**
Taiwan	**326**	**–**	**326**	**–**	**326**
Others	**12**	**2**	**14**	**–**	**14**
Total	**1,444**	**4**	**1,448**	**7**	**1,455**

Store Number by Ownership	Franchisee owned Spa	Self-owned Spa	Total Spa	Self-owned Counter	Total
As at 30 June 2022					
PRC	1,023	3	1,026	9	1,035
Taiwan	345	–	345	–	345
Others	25	1	26	–	26
Total	1,393	4	1,397	9	1,406

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters in department stores. As at 30 June 2023, there were 1,448 spas and 7 concessionary counters. Amongst them, 1,444 were franchised spas, while 4 spas and 7 concessionary counters were directly operated by the Group. No concessionary counters were entrusted to third-party operators. Franchised spas were owned by the franchisees who were responsible for capital investment in these spas. They were obliged to use only Natural Beauty or "NB" products in their spas. A wide array of services including hydrotherapy, facial treatment, body care and skin care analysis were provided in all spas, while skin care analysis was widely available at the concessionary counters in department stores.

Group-wide, a total of 94 new stores were opened and 56 stores were closed during the six months ended 30 June 2023.

Research and Development ("R&D")

The Group is dedicated to continuous research and development, striving to maintain a competitive edge and provide high-quality products and beauty solutions to our customers. Our R&D team consists of experienced researchers with diverse expertise across various fields, collaborating with leading beauty and biotechnology consultants both domestically and globally. In our pursuit of innovative technologies, Natural Beauty has established partnerships with professional laboratories worldwide, including those in Europe, Japan, and Australia. In terms of hardware equipment, our group has established two research and development centers: the Natural Beauty Biotechnology R&D Center and the Dongsen-NTU Industry-University Cooperation Center. Our collaboration with NTU effectively leverages NTU's research strengths and resources, facilitating product development and technology transfer and creating a win-win situation by cultivating talent at school, enhancing our R&D vitality and boosting profits.

Our research and development are centered on product upgrades and exploring new technologies. We are continuously upgrading the classic NB-1 Aqua Plus series and NB-1 Delicate Pore series via MicroRNA Gene activation technology to improve pore control and regulate melanin effects. Additionally, our team is dedicated to studying the anti-aging effects of Retinol-A and plans to develop highly effective active ingredients to provide consumers with an at-home skincare solution.

In terms of patent portfolio, Natural Beauty has devoted significant effort to developing its own intellectual property rights, and has obtained three stem cell patents (US7,405,195B2), (TWI331042), (US8,076,296B2), along with a plant extraction patent (TWI640505). In order to further develop our plant-related patents, Natural Beauty actively collaborates with National Taiwan University and Yang-Ming Chiao-Tung University through annual industry-academia summits that bring together professionals from various fields, including industry, government, and academia, to discuss essential topics such as the Group's development direction, project development, and product quality. We continuously strive and dedicate ourselves to providing high-quality products and beauty solutions to maintain a competitive edge and achieve sustained growth. Research and development remain at the core of our endeavors, driving our pursuit of technological innovation. Furthermore, we aim to strengthen collaborations with academic institutions and professional laboratories to propel future development.

Products

In the first half of 2023, we have released NB-1 Delicate Pore series, NB-1 Aqua Plus series, PQQ drink, and small molecule tripeptide drink, etc. in Zhangjiajie, Hunan Province in April. All kinds of products on the market to enhance the comprehensive competitiveness of Natural Beauty in the SPA industry, the second quarter performance achieved HK$93.4 million, ushered in the first half of the small peak. The upgraded and new products amounted to HK$10.2 million (RMB9.1 million), 11% of the second quarter's performance.

NB-1 series, with a performance in the first half of HK$30.1 million (RMB26.7 million), accounting for 19% of the Natural Beauty Group's performance, is still the main product. The new weight-loss equipment, which went on sale in April, has added to the chain's spa care curriculum, giving it a head start this summer.

Human Resources

As at 30 June 2023, the Group had a total of 429 employees, of which 302 were based in the PRC, 111 in Taiwan and 16 in other countries and regions. Total remuneration for the six months ended 30 June 2023 was approximately HK$59.4 million (HK$73.5 million for the six months ended 30 June 2022), including retirement benefit related costs of HK$9.3 million (HK$5.7 million for the six months ended 30 June 2022). There were no stock option expenses for the six months ended 30 June 2023 (nil for the six months ended 30 June 2022). Competitive remuneration packages are maintained to attract, retain and motivate capable staff members and are reviewed on regular basis.

The Group maintains good relations with its employees and is committed to their training and development. Professional training courses are offered to beauticians employed by the Group and to franchisees on regular basis.

Capital Expenditure

The Group's capital expenditure of HK$40.8 million for the six months ended 30 June 2023 was mainly related to the new plant construction in the PRC amounting to HK$23.6 million, opening of new stores, renovation and equipment amounting to HK$17.1 million and office decoration to HK$0.1 million.

Right-of-use Assets and Lease Liability

The related right-to-use assets and lease liabilities are mainly located in the PRC and Taiwan. As at 30 June 2023, the Group's right-of-use assets were HK$33.8 million (HK$70.0 million as at 30 June 2022) and its lease liabilities were HK$17.5 million (HK$23.2 million as at 30 June 2022). For the six months ended 30 June 2023, depreciation charges of right-of-use assets amounted to HK$3.0 million and interest charges of lease liabilities amounted to HK$0.4 million.

Pledged assets

As at 30 June 2023, the Group's secured short-term and long-term bank borrowings were secured by certain freehold land, buildings and right-of-use assets related to leasehold land, with carrying amount of HK$84.4 million (HK$92.4 million as at 31 December 2022).

OUTLOOK

The progress of our business growth was slow due to the sluggish economic recovery and the evident conservative consumption for the first half of 2023. With the subsidence of the impact of the COVID-19 pandemic and the return to normality, we shall continue to leverage on the resources of Eastern International Co., Ltd. to develop the chain franchising, TV shopping, e-commerce, and telemarketing and other existing channels, and invest more in the expansion of new channels such as business-to-business ("**B2B**") channel, duty-free channel and agency channel where multi-brands supply to multi-channels.

Key Market Development Strategies

- Taiwan: Natural Beauty continues the multi-channel strategy and develops the cooperation with global live streamers. Multi-brand strategy can meet the product needs of different live-streaming platforms, and we become the supplier of the live streamers to make full use of product development and mass production to promote business growth. Plus, immunity concern has become the focus of consumption in the post-epidemic era, we have focused on the marketing of essential health supplements to generate income for franchised stores. The short inventory days of health supplements can boost the business performance growth.

- PRC: B2B team was established to develop new channels, targeting beauty and beauty industry mortar stores with multi-brand supply. Focused on core franchising business, and increase in investment targeting the entrepreneurial group, we continue to accelerate the expansion of franchised stores. In 2023, the sales growth of health supplements has become the focus of our marketing efforts to increase the business growth in addition to the beauty products sales.

Looking ahead to the second half of 2023, in addition to rapidly boosting the core business, we will continue to develop B2B new channels laterally coupled with the sales increase of health supplements, drive innovation, and pursue the significant growth amid the gradual economic recovery.

CORPORATE GOVERNANCE HIGHLIGHTS AND OTHER INFORMATION

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders.

Accordingly, the Board has established the Audit Committee, the Executive Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference which are of no less exacting terms than those set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). These committees (save for the Executive Committee) are chaired by independent non-executive directors.

Audit Committee and Review of Interim Financial Statements

The Audit Committee has adopted terms of reference (Audit Committee Charter) which are in line with the code provisions of the CG Code. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2023 have been reviewed by the Audit Committee which is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

In addition, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have also been reviewed by RSM Hong Kong, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose review report will be disclosed in the Company's 2023 Interim Report to be sent to the shareholders of the Company in due course.

Remuneration Committee

The Remuneration Committee has adopted terms of reference (Remuneration Committee Charter) which are in line with the code provisions of the CG Code. The main duties of the Remuneration Committee include determining the policy and structure for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, determining or making recommendations to the Board on the Company's remuneration packages of individual executive and non-executive directors and senior management and reviewing and approving matters relating to share schemes.

Nomination Committee

The Nomination Committee has adopted terms of reference (Nomination Committee Charter) which are in line with the code provisions of the CG Code. The Nomination Committee is responsible for, including but not limited to, determining the policy for the nomination of directors, reviewing the structure, size, composition and diversity of the Board annually and making recommendations to the Board on selection of candidates for directorships pursuant to the board diversity policy. It also assesses the independence of independent non-executive directors.

Executive Committee

The Executive Committee is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters arising between regularly scheduled Board meetings, and to review financial, marketing, retail, operation and other business performance as well as to review and approve annual budget and key performance indicators and track performance.

Compliance with the CG Code

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has fully complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2023.

Compliance with the Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all directors, all directors have confirmed that the required standard of the Model Code has been complied with throughout the six months ended 30 June 2023 and up to the date of this announcement.

The Company has adopted written guidelines (the "**Company's Guidelines**"), which are equally stringent as the Model Code, in respect of securities transactions by relevant employees of the Company who are likely to be in possession of unpublished inside information of the Company pursuant to code provision C.1.3, Part 2 of the CG Code. No incident of non-compliance with the Model Code or the Company's Guidelines by the Company's relevant employees has been noted after making reasonable enquiry.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (2022: Nil).

INTERIM DIVIDEND

No interim dividend for the six months ended 30 June 2023 was declared (2022: Nil).

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITES

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.ir-cloud.com/hongkong/00157/irwebsite). The Interim Report for the six months ended 30 June 2023 of the Company containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and will be published on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Natural Beauty Bio-Technology Limited
Lei Chien
Chairperson

Hong Kong, 3 August 2023

As at the date of this announcement, the Board comprises Dr. Lei Chien and Mr. Lin Chia-Wei as executive directors; Ms. Lu Yu-Min, Ms. Lin Shu-Hua and Mr. Chen Shou-Huang as non-executive directors; and Mr. Chen Ruey-Long, Mr. Lin Tsalm-Hsiang and Mr. Yang Shih-Chien as independent non-executive directors.